Lbrands

Proxy Statement for the
2019 Annual Meeting of Stockholders
and 2018 Annual Report

Dear Partner,

Our goal has always been – and will always be – to be the best specialty retailer in the world. Period. When at our best, we've achieved that kind of performance. As I've said before, fashion is the business of change and, in order to change successfully, we must prove that we are close to our customers. That constant change and customer contact is what makes our industry so exciting … and also so challenging!

As I look back on 2018, I want to provide an update on current events and put into perspective where we *are* and where I believe we *will be* in the future. First, and most importantly, we have incredible brands and terrific people, and while we have a lot of work ahead, we are making progress – and are committed to returning to quality sales and profit growth.

Where We Are

Today, Victoria's Secret, PINK and Bath & Body Works are powerful brands with leading market share in great categories. They possess high emotional content, strong customer loyalty through social media and in-store experiences and large and robust digital businesses.

Victoria's Secret's social media followers far surpass any other lingerie brand and are among the highest of all global fashion brands – 65 million followers on Instagram, 29 million on Facebook and more than 11 million on Twitter. In fact, Victoria's Secret has more followers than the next top 50 lingerie companies combined … number two has one million … stop and think, 65 times larger than number two. Bath & Body Works also drives high levels of brand passion, with nearly 14 million Facebook and Instagram fans … and a superb digital business.

Bath & Body Works

Bath & Body Works, led by Nick Coe, is a great brand and has a terrific and experienced team. They have an exceptionally close connection to their customer, strong merchandising skills and a fast and agile supply chain. Bath & Body Works delivered another record year, on top of a record 2017. In 2018, comps increased 11%, sales in the digital channel increased 30%, and operating income increased 13%, which all contributed to an exceptional year! We ended the year with more than 600 newly remodeled stores which include the White Barn store design. These stores are driving significant sales growth and, importantly, present a new, compelling store experience for customers. Bath & Body Works is a wonderful brand.

Victoria's Secret

Victoria's Secret, perhaps one of the world's best brands, clearly has underperformed – merchandise misses have led to increased promotion which negatively impacted sales and margin rates. Our new team is working hard to improve the merchandise and total brand experience. Victoria's Secret segment comps declined 2% for the year, and adjusted operating income declined 45%.

Victoria's Secret Lingerie

In 2018, Victoria's Secret Lingerie comps declined in the low-single digit range. However, we are at the beginning of gaining momentum in our core bra and panty businesses, and we are seeing better performance in our newer bra launches. Additionally, in Holiday, we achieved strong growth in sleepwear, an important category for the business.

John Mehas joined the business in mid-February as the new CEO for Victoria's Secret Lingerie. He formerly served as president of Tory Burch and previously led Club Monaco for 13 years as President and CEO. John is an experienced and talented fashion merchant leader, and he is focused on the customer and improving the merchandise assortment. I'm confident we have the right person to successfully lead Victoria's Secret Lingerie in the future.

PINK

PINK comps declined in the mid-single digit range in 2018 as fashion errors in loungewear drove a deceleration in performance. Amy Hauk moved from Bath & Body Works to lead PINK as CEO late in 2018. She has been getting to know the PINK brand and customer and is changing PINK merchandise and marketing in 2019. Amy is an excellent merchant and leader – and knows our thinking and disciplines. She is gaining traction, and also effecting significant, positive and measurable change.

Victoria's Secret Beauty

Under the leadership of Greg Unis, Victoria's Secret Beauty is getting better and is more focused and faster. In 2018, we began to develop PINK Beauty and will continue to grow that business in 2019. Victoria's Secret Beauty had a record year in sales … low-double digit comps … and is poised for another record year.

International

Outside North America, we opened 74 net new stores in 2018, ending the year with 753 stores. Revenue in our international segment increased by 20% in 2018, while operating income declined as improved performance in our franchise businesses was offset by underperformance in the U.K. and our investment in China. Led by Martin Waters, our international business generated $1.5 billion in global retail sales. Now that the global foundation has been built, the opportunity is to reinforce that foundation, benefit from our learnings and continue to grow.

Our franchise businesses – in Victoria's Secret full assortment (VSFA), PINK, Victoria's Secret Beauty and Accessories (VSBA) and Bath & Body Works stores – continue to grow at a high profit rate. Our franchise partners are terrific, and we continue to build and develop those relationships.

We are investing in China and have a strong leadership team with considerable experience to facilitate our growth. The Chinese market represents the biggest opportunity in the world, and we have received positive responses to the Victoria's Secret brand and experienced rapid online growth.

The United Kingdom is a challenge, influenced by some of the same issues as our North American business, as well as issues specific to the U.K. – Brexit and significant pressure on U.K. retail. We are focused on making the necessary changes to stabilize results, and we have seen modest improvement in the U.K. business.

Where We're Going

As a world-class specialty retailer, we can never stand still. At the end of the year, we made some significant changes that will enable us to increase our focus on our core businesses and our highest growth opportunities. These actions included:

- Closing Henri Bendel;
- Selling the La Senza business;
- Reducing our dividend, which normalizes the payout and frees up capital to reduce debt levels;
- Promoting Amy Hauk to run PINK and appointing John Mehas to lead Victoria's Secret Lingerie; and
- Reviewing our board structure and governance.

We believe the actions we have taken and the things we continue to review and take action on are significant and will strengthen our business.

We have also announced a slate of director nominees to stand for election to the board of directors at our 2019 Annual Meeting of Stockholders. The nominees include Anne Sheehan, former director of corporate governance for the California State Teachers' Retirement System (CalSTRS), and Sarah E. Nash, former vice chairman, Global Investment Banking at JP Morgan Chase & Co., along with incumbent director, Patricia S. Bellinger, and myself. Anne, Sarah and Patricia bring considerable expertise in business, governance, finance and leadership that will complement our board's skills and experience, and we believe the addition of fresh perspectives to our board will be beneficial to all L Brands stakeholders.

Additionally, the L Brands board has unanimously committed to submitting and recommending that stockholders vote in favor of proposals at the company's 2020 Annual Meeting of Stockholders to declassify the board immediately, so that all directors will stand for election at the company's 2021 Annual Meeting of Stockholders, and to eliminate the company's supermajority voting requirements. We believe the governance enhancements we are committed to making will ensure our board best serves the interests of our stockholders.

No question, our recent overall performance has been unacceptable, and we are determined to do better. There is no group of people more capable of overcoming the challenges we face and accomplishing our goals than the L Brands team. By disciplined execution of our strategy, focusing on the fundamentals, staying close to our customers and leveraging the strength of our brands, we are focused on meeting or exceeding the expectations of our stakeholders – customers, associates and shareholders.

As we look to 2019:

- **Our number one priority is improving performance at Victoria's Secret Lingerie and PINK, and we are making progress.** Our new Lingerie and PINK leaders are looking at *every aspect of our business* … our marketing, brand positioning, internal talent, real estate portfolio, digital business and cost structure. First and foremost, we are focused on improving our merchandise assortments … because it all starts with the customer saying, "I'll take it." Over the last few years, in both Victoria's Secret Lingerie and PINK, we have lost our merchandise edge, but we are getting that back by focusing on our basic disciplines, spending more time in stores and really knowing our customer like we'd know our best friend. We believe we have significant opportunities to improve our merchandise assortments … making sure we have a robust merchandise product pipeline, fashion that our customers really want, with high emotional content. We will also be expanding our assortment to include new and previously exited categories … but doing some things differently … through licensing opportunities in eyewear, footwear and swimwear.
- We have great real estate and a highly productive store base that provides us with the opportunity to personally interact with customers … building our brands through nearly one billion visits to our stores every year … a key competitive advantage. Nonetheless, we will continue to proactively and rigorously review our real estate portfolio, and we will continue to open, close and remodel stores to optimize performance.
- We also connect with customers through one billion visits a year to our digital platforms. Our Victoria's Secret and Bath & Body Works Direct businesses, with $2.5 billion in sales at a 20%+ operating margin, are growing rapidly at a mid- to high-teens rate. We are continuing to invest in talent and technical capabilities to support and lead our global digital growth.
- Over the last 10 years, we have significantly reduced our sourcing cycle times and increased our agility, enabling us to TEST, READ and REACT to customer preferences … speed is always a competitive advantage. We are fast and determined to be even faster in everything we do to respond to the customer.
- We have significant opportunity for growth in our international business and are extending our brands by opening Victoria's Secret and Bath & Body Works stores, with an emphasis on China, the Middle East, Southeast Asia and Europe in conventional retail locations and in travel retail locations.
- We continue to value experienced sales leaders and teams, and are optimizing store selling and execution by concentrating on a better store experience and developing, retaining and investing in talented, trained and productive store associates. Our store leaders and staff must engage with our customers and build loyals … real, substantial relationships.

As always, we remain committed to staying close to our customers and their needs while delivering compelling merchandise, and we have never been more determined to deliver improved performance. By focusing on the fundamentals of our business … customer engagement, core merchandise categories, disciplined inventory management and proactive management of real estate … we will be better positioned to achieve our goals. The strength of our brands and the quality of our people make me confident and optimistic about the future – great execution of our brands wherever we go.

Sincerely,

Leslie H. Wexner

Chairman and CEO

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Notice of
Annual Meeting of Stockholders
and Proxy Statement

May 16, 2019

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April 23, 2019

DEAR STOCKHOLDER:

You are cordially invited to attend our 2019 annual meeting of stockholders to be held at **8:30 a.m., Eastern Time**, on May 16, 2019, at our offices located at Three Limited Parkway, Columbus, Ohio 43230. Our Investor Relations telephone number is (614) 415-7585 should you require assistance in finding the location of the meeting. The formal Notice of Annual Meeting of Stockholders and proxy statement are attached. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. I hope that you will be able to attend and participate in the meeting, at which time I will have the opportunity to review the business and operations of our company.

The matters to be acted upon by our stockholders are discussed in the Notice of Annual Meeting of Stockholders. It is important that your shares be represented and voted at the meeting. Accordingly, after reading the attached proxy statement, would you kindly sign, date and return the enclosed proxy card or vote by telephone or via the Internet as described on the enclosed proxy card. Your vote is important regardless of the number of shares you own.

Sincerely yours,

Leslie H. Wexner

Leslie H. Wexner
Chairman of the Board

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NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

May 16, 2019

April 23, 2019

TO THE STOCKHOLDERS OF L BRANDS, INC.:

We are pleased to invite you to attend our 2019 annual meeting of stockholders to:

- Elect the four nominees proposed by the Board of Directors as directors to serve for a three-year term.
- Ratify the appointment of our independent registered public accountants.
- Hold an advisory vote to approve named executive officer compensation.
- Vote on the stockholder proposal to remove supermajority voting requirements, if properly presented at the meeting.
- Transact such other business as may properly come before the meeting.

Stockholders of record at the close of business on March 22, 2019 may vote at the meeting. If you plan to attend, please bring the Admittance Slip located at the back of this booklet and a picture I.D., and review the attendance information provided. Your vote is important. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. Whether or not you plan to attend the meeting, please vote by telephone or via the Internet or sign, date and return the enclosed proxy card in the envelope provided. Instructions are included on your proxy card. You may change your vote by submitting a later dated proxy (including a proxy via telephone or the Internet) or by attending the meeting and voting in person.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 16, 2019: The proxy statement and annual report to stockholders are available at *www.proxyvote.com*. We encourage you to review all of the important information contained in the proxy materials before voting.

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor:

Innisfree®

Innisfree M&A Incorporated
501 Madison Avenue, 20th floor
New York, New York 10022
Shareholders may call toll free: (888) 750-5834
Banks and Brokers may call collect: (212) 750-5833

By Order of the Board of Directors,

Leslie H. Wexner
Chairman of the Board

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INFORMATION ABOUT THE ANNUAL MEETING AND VOTING

The Board of Directors (the ''Board'') is soliciting your proxy to vote at our 2019 annual meeting of stockholders (or at any adjournment of the meeting). This proxy statement summarizes the information you need to know to vote at the meeting. In this proxy statement, ''we,'' ''our,'' ''L Brands'' and the ''Company'' refer to L Brands, Inc.

We began mailing a printed copy of this proxy statement and the enclosed proxy card on or about April 26, 2019 to all stockholders entitled to vote. The Company's 2018 Annual Report on Form 10-K, which includes our financial statements, is being sent with this proxy statement and is also available in electronic form.

Date, Time and Place of Meeting

Date: May 16, 2019

Time: 8:30 a.m., Eastern Time

Place: Three Limited Parkway, Columbus, Ohio 43230

Attending the Meeting

Stockholders who plan to attend the meeting in person must bring photo identification and the Admittance Slip located at the back of this booklet. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed.

Shares Entitled to Vote

Stockholders entitled to vote are those who owned Company common stock (which we refer to throughout this proxy statement as ''Common Stock'') at the close of business on the record date, March 22, 2019. As of the record date, there were 275,213,368 shares of Common Stock outstanding. Each share of Common Stock that you own entitles you to one vote.

Voting Your Shares

Whether or not you plan to attend the annual meeting, we urge you to vote. Stockholders of record can give proxies by calling a toll-free telephone number, by using the Internet or by mailing their signed proxy cards. The telephone and Internet voting procedures are designed to authenticate stockholders' identities, to allow stockholders to give their voting instructions and to confirm that stockholders' instructions have been recorded properly. If you are voting by mail, please complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you are voting by telephone or via the Internet, please use the telephone or Internet voting procedures set forth on the enclosed proxy card. Returning the proxy card or voting via telephone or the Internet will not affect your right to attend the meeting and vote.

The enclosed proxy card indicates the number of shares that you own.

Voting instructions are included on your proxy card. If you properly fill in your proxy card and send it to us or vote via telephone or the Internet in time to vote, one of the individuals named on your proxy card (your ''proxy'') will vote your shares as you have directed. If you sign the proxy card or vote via telephone or the Internet but do not make specific choices, your proxy will follow the Board's recommendations and vote your shares in the following manner:

- ''FOR'' the election of the Board's four nominees for director (as described on page 4);
- ''FOR'' the ratification of the appointment of our independent registered public accountants (as described on page 13);
- ''FOR'' on the advisory vote to approve named executive officer compensation (as described on pages 14 and 15); and
- ''FOR'' on the stockholder proposal (as described on page 16).

If any other matter is properly presented at the meeting, your proxy will vote in accordance with his or her best judgment. At the time this proxy statement went to press, we knew of no other matters to be acted on at the meeting. See "—Vote Necessary to Approve Proposals" for a discussion of the votes required to approve these items.

Revoking Your Proxy

You may revoke your proxy by:

- submitting a later dated proxy (including a proxy via telephone or the Internet);
- notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230, in writing before the meeting that you have revoked your proxy; or
- voting in person at the meeting.

Voting in Person

If you plan to vote in person, a ballot will be available when you arrive. However, if your shares are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the shares at the close of business on March 22, 2019, the record date for voting, as well as a proxy, executed in your favor, from the nominee.

Appointing Your Own Proxy

If you want to give your proxy to someone other than the individuals named as proxies on the proxy card, you may cross out the names of those individuals and insert the name of the individual you are authorizing to vote. Either you or that authorized individual must present the proxy card at the meeting.

Quorum Requirement

A quorum of stockholders is necessary to hold a valid meeting. The presence in person or by proxy at the meeting of holders of shares representing at least one-third of the votes of the Common Stock entitled to vote constitutes a quorum. Abstentions and "broker non-votes" are counted as present for establishing a quorum. A broker non-vote occurs on an item when a broker is not permitted to vote on that item absent instruction from the beneficial owner of the shares and no instruction is given.

Vote Necessary to Approve Proposals

- Pursuant to the Company's Bylaws, each director will be elected by a majority of the votes cast with respect to such director. A majority of the votes cast means that the number of votes "for" a director's election must exceed 50% of the votes cast with respect to that director's election. Any "against" votes will count as a vote cast, but "abstentions" will not count as a vote cast with respect to that director's election. Under Delaware law, if the director is not elected at the annual meeting, the director will continue to serve on the Board as a "holdover director." As required by the Company's Bylaws, each director has submitted an irrevocable letter of resignation as director that becomes effective if he or she does not receive a majority of votes cast in an election and the Board accepts the resignation. If a director is not elected, the Nominating & Governance Committee will consider the director's resignation and recommend to the Board whether to accept or reject the resignation.
- The ratification of Ernst & Young LLP as our independent registered public accountants requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.
- The advisory vote to approve named executive officer compensation requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary or other duties of, or impose any additional fiduciary or other duties on, the Company or the Board. However, the Compensation Committee will take into account the outcome of the vote when considering future executive compensation decisions.
- The stockholder proposal requires the affirmative vote of a majority of the votes present in person or by proxy and voting thereon.

Impact of Abstentions and Broker Non-Votes

You may ''abstain'' from voting for any nominee in the election of directors and on the other proposals. Abstentions with respect to the election of directors and on the other proposals will be excluded entirely from the vote and will have no effect.

In addition, under New York Stock Exchange (''NYSE'') rules, if your broker holds your shares in its name, your broker is permitted to vote your shares on the proposal to ratify Ernst & Young LLP as our independent registered public accountants, even if it did not receive voting instructions from you. Your broker may not vote your shares on any of the other matters without specific instruction. A ''broker non-vote'' occurs when a broker submits a proxy but refrains from voting. Shares represented by broker non-votes are counted as present or represented for purposes of determining the presence of a quorum but are not counted as otherwise present or represented.

Obtaining Additional Copies of the Proxy Materials

We have adopted a procedure called ''householding.'' Under this procedure, stockholders who share the same last name and reside at the same mailing address will receive one set of proxy materials, unless one of the stockholders at that address has notified us that they wish to receive individual copies. Stockholders who participate in householding continue to receive separate control numbers for voting. Householding does not in any way affect dividend check mailings.

If you hold Common Stock and currently are subject to householding, but prefer to receive separate copies of proxy materials and other stockholder communications from the Company, or if you are sharing an address with another stockholder and would like to consent to householding, you may revoke or grant your consent to householding as appropriate at any time by calling toll-free at 1-866-540-7095 or notifying our Secretary at our principal executive offices at Three Limited Parkway, Columbus, Ohio 43230.

A number of brokerages and other institutional holders of record have implemented householding. If you hold your shares beneficially in street name, please contact your broker or other intermediary holder of record to request information about householding.

PROPOSAL 1: ELECTION OF DIRECTORS

The Board has nominated four directors for election at the annual meeting. If you elect the four nominees, they will hold office for a three-year term expiring at the 2022 annual meeting or until their successors have been elected.

The Board believes in the necessity of ongoing Board refreshment, and rigorous self-evaluation, diversity and succession planning. Over the past year, we have demonstrated this commitment. We listened to and engaged with our shareholders and other stakeholders on Board refreshment. We focused our efforts on recruiting strategies to identify new directors who embody the skills, experience, diversity and independence of perspective critical to oversee our Company's strategies for delivering long-term shareholder value. Working with a search firm, the Nominating & Governance Committee recommended Sarah E. Nash and Anne Sheehan as potential director candidates to the Board, and the Board accepted such recommendation and nominated Ms. Nash and Ms. Sheehan to stand for election at the annual meeting. If all of our nominees are elected this year, we would have added five new directors since 2014, and five of our twelve directors will be women.

The Board has in place a robust process that will allow us to continue to refresh the Board and its leadership significantly over the next several years and beyond. We want a thoughtful approach to succession planning and an orderly transition, and the Board seeks to strike a balanced approach that allows the Board to benefit from the right mix of newer directors who bring fresh perspectives and seasoned directors who bring continuity and deep insight into our business and strategies. The Company believes that an effective Board consists of individuals who possess a variety of complementary skills, a range of tenures and a diversity of perspectives. We intend to refresh our Board and assess our Board succession plans with this in mind. The Nominating and Governance Committee and the Board consider the performance, contributions, skills and experience of our Board members in the broader context of the Board's overall composition, with a view toward constituting a Board that has the integrity, judgment, skill set, experience and other characteristics to oversee the broad set of challenges that the Company faces and evaluate management on executing the Company's business strategy.

We believe that our Board as a whole possesses the right mix of qualifications, skills and experience to oversee and address the key issues facing our Company now, and the commitment to Board refreshment to ensure this moving forward.

At the Company's 2020 annual meeting, the Board will submit a proposal to stockholders to amend our certificate of incorporation to declassify the Board. If such proposal is approved by our stockholders at the Company's 2020 annual meeting, all of our directors will stand for election annually for one-year terms beginning at the Company's 2021 annual meeting.

Set forth below is additional information about the experience and qualifications of each of the nominees for director, as well as each of the current members of the Board, that led the Board to conclude, at the time each individual was nominated to serve on the Board, that he or she would provide valuable insight and guidance as a member of the Board.

Your proxy will vote for each of the nominees unless you specify otherwise. If any nominee is unable to serve, your proxy may vote for another nominee proposed by the Board. We do not know of any nominee of the Board who would be unable to serve as a director if elected.

The Board recommends a vote FOR the election of all of the following nominees of the Board:

If you have any questions or require any assistance with voting your shares, please contact our proxy solicitor:

Innisfree®

Innisfree M&A Incorporated
501 Madison Avenue, 20th floor
New York, New York 10022
Shareholders may call toll free: (888) 750-5834
Banks and Brokers may call collect: (212) 750-5833

Nominees and Directors

Nominees of the Board at the 2019 Annual Meeting

Patricia S. Bellinger *Director since 2017* *Age 58*

Ms. Bellinger is the Chief of Staff and Strategic Advisor to the President of Harvard University, an institution of higher education. From 2017 to 2018, she was a Senior Fellow at the Center for Public Leadership at Harvard Kennedy School, a graduate and professional school. From 2013 to 2017, she was the Executive Director at the Center for Public Leadership at the Harvard Kennedy School and from 2010 to 2013, she was the Executive Director of Executive Education at Harvard Business School, a graduate and professional school. Prior to joining Harvard Business School, Ms. Bellinger was group vice president at British Petroleum, a global energy company, from 2000 to 2007, where she oversaw leadership development programs and established and led British Petroleum's global diversity and inclusion transformation. Ms. Bellinger served as a director of Pattern Energy Group Inc., a power company, from 2013 until 2018 and Paris-based Sodexo S.A., from 2005 until 2018. She also serves as a director of Paris-based Sonepar, and as a trustee of uAspire. Ms. Bellinger's nomination is supported by her extensive executive, business and leadership experience and service on several boards of directors.

Sarah E. Nash *Director Nominee* *Age 65*

Ms. Nash is the Chair of the Board and Chief Executive Officer of privately held Novagard Solutions, a manufacturer of silicone sealants, coatings, foam and thermal products, and has held this position since 2018. Ms. Nash spent nearly 30 years in investment banking at JPMorgan Chase & Co. (and predecessor companies), retiring as Vice Chairman, Global Investment Banking, in 2005. Ms. Nash currently serves on the board of Blackbaud, Inc., a software company providing technology solutions for the not-for-profit industry, and has done so since 2010, on the board of Knoll, Inc., a designer and manufacturer of lifestyle and workplace furnishings, textiles and fine leathers, and has done so since 2006, and on the board of privately held Irving Oil Company, and has done so since 2012. Ms. Nash previously served as a director of Merrimack Pharmaceuticals, Inc., a biopharmaceutical company, from 2006 until 2014. Ms. Nash is a trustee of the New York-Presbyterian Hospital, a member of the National Board of the Smithsonian Institution and Chairman of the International Advisory Board of the Montreal Museum of Fine Arts. Ms. Nash's nomination is supported by her extensive experience in capital markets, strategic transactions, corporate governance and non-profit organizations.

Anne Sheehan *Director Nominee* *Age 62*

Ms. Sheehan is the Chair of the Securities and Exchange Commission's Investor Advisory Committee. From 2008 until 2018, Ms. Sheehan served as the Director of Corporate Governance at The California State Teachers' Retirement System (CalSTRS), the largest educator-only pension fund in the world and the second largest pension fund in the United States. She previously served as the Chief Deputy Director for Policy at the California Department of Finance from 2004 to 2008 and as Executive Director at the California Building Industry Foundation from 2000 to 2004. Ms. Sheehan is a founder of the Investor Stewardship Group and serves on the Advisory Board of the Weinberg Center for Corporate Governance at the University of Delaware. Ms. Sheehan's nomination is supported by her extensive experience as a corporate governance professional and her senior management and leadership experience addressing complex legislative, regulatory and public finance issues.

Leslie H. Wexner *Director since 1963* *Age 81*

Mr. Wexner has been Chief Executive Officer of the Company since he founded the Company in 1963, and Chairman of the Board for 43 years. Mr. Wexner is the husband of Abigail S. Wexner. Mr. Wexner's nomination is supported by his effective leadership of the Company since its inception.

Directors Whose Terms Continue until the 2020 Annual Meeting

Donna A. James *Director since 2003* *Age 61*

In April 2006, Ms. James established Lardon & Associates LLC, a business and executive advisory services firm, where she is Managing Director. Ms. James served as the President of Nationwide Strategic Investments, a division of Nationwide Mutual Insurance Company, from 2003 through March 2006. Ms. James served as Executive Vice President and Chief Administrative Officer of Nationwide Mutual Insurance Company and Nationwide

Financial Services from 2000 until 2003. Ms. James is a director of Boston Scientific Corporation, a developer, manufacturer and marketer of medical devices. Ms. James served as a director of Marathon Petroleum Corp., a transportation fuels refiner, from 2011 to 2018. Ms. James also served as Chairman of Financial Settlement Services Agency, Inc. from 2005 through 2006, as director of CNO Financial Group, Inc., a holding company for a group of insurance companies, from 2007 to 2011, as director of Coca-Cola Enterprises Inc., a nonalcoholic beverages company, from 2005 to 2012 and as a director of Time Warner Cable Inc., a provider of video, data and voice services, from 2009 to 2016. Ms. James's nomination was supported by her executive experience, financial expertise, service on several boards of directors and experience with respect to corporate diversity and related issues.

Michael G. Morris *Director since 2012* *Age 72*

Mr. Morris served as the Chairman of the Board of American Electric Power Company, Inc., one of the largest electric utilities in the United States, from 2012 to April 2014. From January 2004 until November 2011, Mr. Morris served as the President, Chief Executive Officer and Chairman of American Electric Power Company, Inc. From 1997 until 2003, he served as the President, Chairman and Chief Executive Officer of Northeast Utilities, the largest electric utility in New England. From 2013 to 2017, Mr. Morris served as a director of Spectra Energy Corp., one of North America's leading natural gas infrastructure companies until its acquisition by Enbridge Inc., and from 2017 to 2018, Mr. Morris served as director of Spectra Energy Partners GP, LLC, the general partner of Spectra Energy Partners (DE) GP, LP, the general partner of Spectra Energy Partners, LP, a master limited partnership engaged in the transmission, storage and gathering of natural gas, and the transportation and storage of crude oil, until its acquisition by Enbridge Inc. Mr. Morris currently serves as a director of The Hartford Financial Services Group, Inc., an investment and insurance company, as the Non-Executive Chairman of the board of directors of Alcoa Corporation, a producer of bauxite, alumina and aluminum. Mr. Morris is also a director of PLH Group, Inc. Mr. Morris served as a director of Alcoa Inc., a producer of aluminum, from 2008 to 2016, until Alcoa Inc.'s separation into two standalone, publicly-traded companies, Alcoa Corporation and Arconic Inc. Mr. Morris's nomination was supported by his broad business experience and management expertise.

Robert H. Schottenstein *Director since 2017* *Age 66*

Mr. Schottenstein has been the Chairman and Chief Executive Officer of M/I Homes, Inc., one of the nation's largest homebuilders, since 2004. He has served on the board of Installed Building Products, Inc., a leading installer of insulation and complementary building products for residential new construction, since 2014. He also serves on the boards of The Ohio State University Wexner Medical Center, Columbus 2020, The Ohio State University Foundation and the Executive Committee of Harvard University's Joint Center for Housing. Mr. Schottenstein's nomination was supported by his management and business experience and involvement in various public policy issues.

Raymond Zimmerman *Director since 1984* *Age 86*

Mr. Zimmerman is the Chief Executive Officer of Service Merchandise LLC, a retail company. Mr. Zimmerman was Chairman of the Board and Chief Executive Officer of 99¢ Stuff, LLC from 1999 to 2003 and the Chairman of the Board and Chief Executive Officer of 99¢ Stuff, Inc. from 2003 to 2008. Mr. Zimmerman's nomination was supported by his financial expertise and broad business experience, particularly in the retail sector.

Directors Whose Terms Continue until the 2021 Annual Meeting

E. Gordon Gee *Director since 2012* *Age 75*

Dr. Gee is currently the President of West Virginia University, a large public research institution. Prior to his current service at West Virginia University, he led several other major universities, including The Ohio State University (2007—2013, 1990—1998), Vanderbilt University (2000—2007), Brown University (1998—2000), the University of Colorado (1985—1990), and West Virginia University (1981—1985). Dr. Gee also currently serves as a director of the National 4-H Council. He previously served as a director of the Company from 1992 to 2008, as a director of Hasbro, Inc., a branded-play company, from 1999 until 2010, and as a director of Bob Evans Farms, Inc., an owner and operator of family restaurants, from 2009 until 2014. Dr. Gee's nomination was supported by his extensive executive and management experience, as well as his legal expertise and knowledge of the Company gained through his prior service as a director.

Stephen D. Steinour *Director since 2014* *Age 60*

Mr. Steinour has been the Chairman, President & Chief Executive Officer of Huntington Bancshares Incorporated, a regional bank holding company, since 2009. From 2008 to 2009, Mr. Steinour was a Managing Partner in CrossHarbor Capital Partners, LLC, a recognized leading manager of alternative investments. Mr. Steinour was with Citizens Financial Group from 1992 to 2008, where he served in various executive roles, including President from 2005 to 2007 and Chief Executive Officer from 2007 to 2008. Mr. Steinour currently serves as a director of Exelon Corporation, a utility services holding company. He previously served as a trustee of Liberty Property Trust, a real estate investment trust, from 2010 to 2014. Mr. Steinour also serves on the board of the Federal Reserve Bank of Cleveland. Mr. Steinour's nomination was supported by his executive experience, financial expertise and service on several boards of directors.

Allan R. Tessler *Director since 1987* *Age 82*

Mr. Tessler has been Chairman of the Board and Chief Executive Officer of International Financial Group, Inc., an international merchant banking firm, since 1987 and is the Chairman and Chief Executive Officer of Teton Financial Services, a financial services company. He previously served as Chairman of the Board of Epoch Holding Corporation, an investment management company, from 2004 to 2013, as Chairman of the Board of J Net Enterprises Inc., a technology holding company, from 2000 to 2004, as Chairman of the Board of Imperva, Inc., a provider of cyber security solutions, where he served as a director from 2015 to 2019, and as a director of Steel Partners Holdings GP Inc., a general partner of a global diversified holding company, from 2010 to 2018. Mr. Tessler also served as Chairman of the Board of InterWorld Corporation from 2001 to 2004 and as Chairman of Checker Holdings Corp. IV from 1997 to 2009. Mr. Tessler currently serves as Chairman of the Board of Rocky Mountain Bank, a Wyoming bank. He has served as a director of TD Ameritrade Holding Corporation, a securities brokerage company, since November 2006, and as a director of BioCardia, Inc., a clinical-stage regenerative medicine company, since 2012. Mr. Tessler currently serves as the Chair of the Audit Committee of BioCardia, Inc. Mr. Tessler's nomination was supported by his broad business experience and financial expertise, together with his involvement in various public policy issues.

Abigail S. Wexner *Director since 1997* *Age 57*

Mrs. Wexner is the chairman, CEO and Founder of Whitebarn Associates, LLC a private investment company. She serves on the boards of Advanced Drainage Systems, Inc., a manufacturer of high performance thermoplastic corrugated pipe, The Ohio State University, Nationwide Children's Hospital, the Columbus Downtown Development Corporation, the Columbus Partnership, Pelotonia, The Ohio State University Wexner Medical Center, The Wexner Foundation, The Columbus Jewish Federation and the United States Equestrian Team Foundation. She is founder and chair of the board for The Center for Family Safety and Healing, founding board member and vice chair of the board for KIPP Columbus and a past chair of the Governing Committee of the Columbus Foundation. Mrs. Wexner is the wife of Leslie H. Wexner. Mrs. Wexner's nomination was supported by her executive and legal experience, as well as her expertise with respect to a wide range of diversity, philanthropic and public policy issues.

Former Directors

David T. Kollat and Dennis S. Hersch have determined not to stand for reelection. We thank them for their exceptional commitment and distinguished service to the Company.

Director Independence

The Board has determined that each of the individuals nominated to serve on the Board, together with David T. Kollat and each of the members of the Board who will continue to serve after the 2019 annual meeting of stockholders (except for Abigail S. Wexner and Leslie H. Wexner), has no material relationship with the Company other than in his or her capacity as a director of the Company and that each is ''independent'' in accordance with applicable NYSE standards. If all director nominees are elected to serve as our directors, independent directors will constitute over 80% of our Board.

In making these determinations, the Board took into account all factors and circumstances that it considered relevant, including, where applicable, the existence of any employment relationship between the director (or nominee) or a member of the director's (or nominee's) immediate family and the Company; whether within the past

three years the director (or nominee) has served as an executive officer of the Company; whether the director (or nominee) or a member of the director's (or nominee's) immediate family has received, during any twelve-month period within the last three years, direct compensation from the Company in excess of $120,000; whether the director (or nominee) or a member of the director's (or nominee's) immediate family has been, within the last three years, a partner or an employee of the Company's internal or external auditors; and whether the director (or nominee) or a member of the director's (or nominee's) immediate family is employed by an entity that is engaged in business dealings with the Company. The Board has not adopted categorical standards with respect to director independence. The Board believes that it is more appropriate to make independence determinations on a case-by-case basis in light of all relevant factors.

Board Leadership Structure

Mr. Leslie H. Wexner serves as Chairman of the Board and Chief Executive Officer (''CEO'') of the Company. Mr. Wexner is the founder of the Company. Mr. Wexner (through his personal and beneficial holdings) is also the Company's largest stockholder. The Board believes that Mr. Wexner's experience and expertise in the Company's business and operations is unrivaled and that he is uniquely qualified to lead the Company. Accordingly, the Company believes that Mr. Wexner's service as both Chairman of the Board and Chief Executive Officer is a significant benefit to the Company and provides more effective leadership than could be achieved in another leadership structure.

Allan R. Tessler currently serves as the lead independent director. In July 2012, the Board determined that the lead independent director should be appointed solely by the independent directors, as they deem appropriate, and Mr. Tessler was subsequently reappointed as the lead independent director by them. As lead independent director, Mr. Tessler has the authority to call meetings of the independent directors, at which he serves as the chairman. Mr. Tessler also approves information sent to the Board, including the agenda for Board meetings, and is responsible for approving meeting schedules in order to assure that there is sufficient time for discussion of all agenda items.

The Company believes that the lead independent director structure, including Mr. Tessler's service as lead independent director, offers independent oversight of the Company's management to complement the leadership that Mr. Wexner provides to the Board as its Chairman.

Risk Oversight; Certain Compensation Matters

The Board, directly and through the Audit Committee and other committees of the Board, takes an active role in the oversight of the Company's policies with respect to the assessment and management of enterprise risk. Among other things, the Board has policies in place for identifying the senior executive responsible for key risks as well as the Board committees with oversight responsibility for particular key risks. In a number of cases, oversight is conducted by the full Board.

Among other things, the Company, including the Compensation Committee of the Board, has evaluated the Company's compensation structure from the perspective of enterprise risk. The Company, including the Compensation Committee, believes that the Company's compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

Cybersecurity Risk

The Board and the Audit Committee take an active role in the oversight of the Company's cybersecurity and data security policies. Among other things, the Board periodically reviews with members of management of the Company issues relating to information security, fraud, data security and cybersecurity risk and developments as well as the steps management has taken to monitor and control such exposures.

Review of Strategic Plans and Capital Structure

The Board regularly reviews the Company's strategic plans and capital structure with a view toward long-term value creation, including environmental, social and governance considerations. The Board also conducts a strategic planning retreat at least annually with senior management.

Social Responsibility

The Company is a values-based company and we strive to operate our business according to high standards of social responsibility. The Board reviews issues of social responsibility, including diversity and inclusion, environmental, philanthropic and governance matters, and the Company's policies, practices and progress with respect to such issues. Key areas of focus and highlights include:

- Commitment to improving the communities where we do business. In 2018, we donated more than 55,000 associate volunteer hours in the United States, Canada and Asia, and invested more than $15 million to non-profit organizations in our home office communities through the L Brands Foundation.
- Empowering and joining our associates in funding research with the goal of ending cancer. Last year, together with associates, we raised more than $8.7 million for the James Cancer Center of The Ohio State University, bringing the 10 year total to $59 million. In addition we have sponsored the world's largest Komen Race for the Cure corporate team for the last nine years.
- Selection of vendors based on their ability and commitment to meet our safety and quality standards, and to follow our strict ethical labor and environmental standards.
- Reduction of our environmental impact through the use of sustainable materials and the introduction of programs to reduce energy consumption. For example, under the Company's Forest Products Procurement Policy, we work with our suppliers to source products that include recycled content or is produced with pulp from certified forestry operations, and have phased out products sourced from endangered forests.
- Promotion of environmentally sensitive practices. We are committed to the goal of eliminating the discharge of 14 chemical categories in conjunction with the manufacturing of our apparel products by 2020.
- Recruitment, retention and advancement of talent that reflects the customers we serve and our communities. The Company earned a perfect score on the Human Rights Campaign 2018 Corporate Equality Index.

Human Capital Management

The Board recognizes that attracting, developing and retaining the best people is crucial to all aspects of the Company's activities and long-term success and has oversight of the development and implementation of our human capital management programs, including diversity and inclusion practices and initiatives, recruiting, retention and career development and progression. Among other things, the Board reviews with members of management of the Company issues relating to human capital management such as employee engagement, workforce planning and demographics, diversity and inclusion strategies and our corporate culture.

Succession Planning

The Board and its Nominating & Governance Committee have developed policies and principles governing succession planning with respect to the CEO and senior management.

Information Concerning Board Meeting Attendance

Our Board held 10 meetings in fiscal year 2018. During fiscal year 2018, all of the directors attended 75% or more of the total number of meetings of the Board and of the committees of the Board on which they served (which were held during the period in which they served).

Committees of the Board

Audit Committee

The Audit Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function. The current members of the Audit Committee are Ms. James (Chair), Dr. Kollat and Messrs. Schottenstein, Tessler and Zimmerman. The Board has determined that each of the Audit Committee members meets the independence, expertise and experience standards established by the NYSE and the Securities and Exchange Commission (the ''Commission'') for service on the Audit Committee of the Board and for designation as an ''audit committee financial expert'' within the meaning of the regulations promulgated by the Commission.

The Report of the Audit Committee can be found on page 55 of this proxy statement. The Audit Committee held 12 meetings in fiscal year 2018.

Compensation Committee

The Compensation Committee of the Board (i) oversees the Company's compensation and benefits philosophy and policies generally, (ii) evaluates the CEO's performance and oversees and sets compensation for the CEO, (iii) oversees the evaluation process and compensation structure for other members of the Company's senior management and (iv) fulfills the other responsibilities set forth in its charter. The current members of the Compensation Committee are Dr. Kollat (Chair), Dr. Gee and Mr. Morris. The Board has determined that each of the current Compensation Committee members is "independent" in accordance with applicable NYSE standards.

The Report of the Compensation Committee can be found on pages 48 to 49 of this proxy statement. The Compensation Committee held 12 meetings in fiscal year 2018.

Nominating & Governance Committee

The Nominating & Governance Committee actively engages in the ongoing review of the composition of the Board and opportunities for Board refreshment. Based on its review, the Nominating & Governance Committee identifies and recommends to the Board candidates who are qualified to serve on the Board and its committees. The Nominating & Governance Committee also considers and reviews the qualifications of any individual nominated for election to the Board by stockholders. It is responsible for proposing a slate of candidates for election as directors at each annual meeting of stockholders. If all of our nominees are elected this year, we would have added five new directors since 2014 who bring a diversity of skills, attributes and perspectives to the Board. In addition to ongoing Board refreshment, we believe that a variety of director tenures is beneficial to ensure Board quality and continuity of experience, as reflected in the current composition of our Board.

The Nominating & Governance Committee develops and recommends to the Board criteria and procedures for the selection and evaluation of new individuals to serve as directors and committee members. In assessing director nominees, the Nominating & Governance Committee takes into account the qualifications of existing directors for continuing service or re-nomination, which may be affected by, among other things, the quality of their contributions, their attendance records, changes in their primary employment or other business affiliations, the number of boards of publicly held companies on which they serve or other competing demands on their time and attention. While the Board has not established any specific minimum qualifications for director nominees, as indicated in the Company's corporate governance principles, the directors and any potential nominees should possess the integrity, judgment, skills, experience and other characteristics that are deemed necessary or desirable for the effective performance of the Board's oversight function. Certain of the skills, qualifications and particular areas of expertise considered with respect to the members of the Board at the time each Director was nominated are summarized in the director biographies found on pages 5 through 7 of this proxy statement. Although the Nominating & Governance Committee does not use formal quantitative or similar criteria with regard to diversity in its selection process, the Company's corporate governance principles provide that the Board will be composed of members of diverse backgrounds and, accordingly, the Committee considers the diversity of experience, background and expertise of the current directors and areas where new directors might add additional perspectives, as factors in the selection of Board nominees.

The Nominating & Governance Committee does not have a formal policy on the consideration of director candidates recommended by stockholders. The Board believes that it is more appropriate to provide the Nominating & Governance Committee flexibility in evaluating stockholder recommendations. In the event that a director nominee is recommended by a stockholder, the Nominating & Governance Committee will give due consideration to the director nominee and will use the same criteria used for evaluating Board director nominees, in addition to considering the information relating to the director nominee provided by the stockholder.

The Company engaged a search firm to assist the Nominating & Governance Committee in identifying and evaluating potential directors.

The Nominating & Governance Committee also develops and recommends to the Board, and regularly reviews, a set of corporate governance principles for the Company to ensure they reflect evolving best practices, monitors compliance with those principles and stays abreast of developments in the area of corporate governance. For example, a proxy access bylaw was adopted in November 2016, permitting up to 20 stockholders owning 3% or more of the outstanding shares of Common Stock continuously for at least three years to nominate the greater of two directors

or up to 20% of the Board and include those nominees in our proxy materials. The Nominating & Governance Committee also reviews and periodically makes recommendations to the Board regarding the structure, practices, policies and activities of the Board and its committees. Each Board committee's charter is reviewed at least annually. To ensure that the Board, Board committees and individual directors remain effective, the Nominating & Governance Committee oversees a robust annual evaluation of the Board, each Board committee and each individual director and recommends ways to improve performance. At least annually, each of the Audit Committee, the Compensation Committee and the Nominating & Governance Committee evaluates its own performance and reports to the Board on such evaluation. The full Board also engages in self-evaluation at least annually. The current members of the Nominating & Governance Committee are Mr. Tessler (Chair), Ms. James and Dr. Kollat. The Board has determined that each of the current Nominating & Governance Committee members is "independent" in accordance with applicable NYSE standards.

The Nominating & Governance Committee held 3 meetings in fiscal year 2018.

Executive Committee

The Executive Committee of the Board may exercise, to the fullest extent permitted by law, all of the powers and authority granted to the Board. Among other things, the Executive Committee may declare dividends, authorize the issuance of stock and authorize the seal of the Company to be affixed to papers that require it. The current members of the Executive Committee are Messrs. Wexner (Chair) and Tessler.

Finance Committee

The Finance Committee of the Board periodically reviews the Company's financial position and financial arrangements with banks and other financial institutions. The Finance Committee also makes recommendations on financial matters that it believes are necessary, advisable or appropriate. The current members of the Finance Committee are Mr. Tessler (Chair), Mr. Hersch, Dr. Kollat, Mrs. Wexner and Mr. Zimmerman.

Inclusion Committee

The Inclusion Committee of the Board is instrumental in the Board's fulfillment of its oversight responsibilities relating to, among other things, (i) the Company's commitment to diversity and inclusion and (ii) the performance of the Company's Office of Inclusion. The current members of the Inclusion Committee are Mrs. Wexner (Chair), Ms. Bellinger, Dr. Gee and Ms. James.

Retiring Committee Members

Effective as of the annual meeting, Mr. Hersch and Dr. Kollat will conclude service on the Board and the respective Committees on which they serve.

Meetings of the Company's Non-Management Directors

The non-management directors of the Board meet in executive session in connection with each regularly scheduled Board meeting. Mr. Tessler serves as the chair of those meetings, which neither Mr. Wexner nor Mrs. Wexner attends.

Communications with Stockholders

The Board believes that it is important to understand stockholder perspectives on the Company and foster long-term relationships with stockholders and, to that end, we have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with all of our major investors on a range of issues, including corporate governance matters and environmental and social goals and initiatives. Such engagements with investors have been highly constructive. The Board also provides a process for interested parties to send communications to the full Board, the non-management members of the Board, the lead independent director and the members of the Audit Committee. Any director may be contacted by writing to him or her c/o L Brands, Inc., Three Limited Parkway, Columbus, Ohio 43230 or emailing at *boardofdirectors@lb.com*. Any stockholder wishing to contact Audit Committee members may send an email to *auditcommittee@lb.com*. Communications that are not related to a director's duties and responsibilities as a Board member, a non-management director or an Audit Committee member may be excluded by the Office of the General Counsel, including, without limitation, solicitations and

advertisements; junk mail; product-related communications; job referral materials such as resumes; surveys; and any other material that is determined to be illegal or otherwise inappropriate. The directors to whom such information is addressed are informed that the information has been removed and that it will be made available to such directors upon request.

Attendance at Annual Meetings

The Company does not have a formal policy regarding attendance by members of the Board at the Company's annual meeting of stockholders. However, it encourages directors to attend and historically nearly all have done so. All of the then-current Board members attended the 2018 annual meeting, except for Mr. Morris. Each director is expected to dedicate sufficient time, energy and attention to ensure the diligent performance of his or her duties, including by attending meetings of the Board and the committees of which he or she is a member.

Code of Conduct, Related Person Transaction Policy and Associated Matters

The Company has a code of conduct that is applicable to all employees of the Company, including the CEO and Chief Financial Officer, and to members of the Board. Any amendments to the code or any waivers from any provisions of the code granted to executive officers or directors will be promptly disclosed to stockholders through posting on the Company's website at *www.lb.com*.

Under the Company's Related Person Transaction Policy (the ''Policy''), subject to certain exceptions, directors and executive officers of the Company are required to notify the Company of the existence or potential existence of any financial or commercial transaction, agreement or relationship involving the Company in which a director or executive officer or his or her immediate family members has a direct or indirect material interest. Each such transaction must be approved by the Board or a committee consisting solely of independent directors after consideration of all material facts and circumstances.

The Company is engaged in several projects designed to increase our speed and agility in producing products that satisfy our customers. In the case of our beauty, personal care and home fragrance businesses, the development of supplier facilities in close proximity to our headquarters and distribution facilities in central Ohio has been an integral part of capturing the many business benefits of speed and agility. The New Albany Company, a business beneficially owned by Mr. and Mrs. Wexner, is in the business of developing real estate, including industrial parks, and has sold land (and may in the future sell land) to certain vendors or third party developers in connection with the continuing development of an industrial park focused on the foregoing business categories in New Albany, Ohio. The Audit Committee monitors such vendor and third party transactions on an ongoing basis to assure that they are in the best interests of the Company and its stockholders generally.

Copies of the Company's Code of Conduct, Corporate Governance Principles, Policy and Committee Charters

The Company's code of conduct, corporate governance principles and Policy, as well as the charters of the Audit Committee, Compensation Committee and Nominating & Governance Committee of the Board, are available on the Company's website at *www.lb.com*. Stockholders may also request a copy of any such document from: L Brands, Inc., Attention: Investor Relations, Three Limited Parkway, Columbus, Ohio 43230.

PROPOSAL 2: RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee has appointed Ernst & Young LLP to serve as the Company's independent registered public accountants for the fiscal year ending February 1, 2020. Ernst & Young LLP has been retained as the Company's independent registered public accountants continuously since 2003.

The Audit Committee is responsible for the appointment, compensation, retention and oversight of the Company's independent registered public accountants. The Audit Committee is responsible for approving the fees associated with the Company's retention of Ernst & Young LLP. In accordance with Commission rules, Ernst & Young LLP's lead engagement partner rotates every five years. The Audit Committee is directly involved in the selection of Ernst & Young LLP's lead engagement partner. In addition, the Audit Committee evaluates Ernst & Young LLP's qualifications, performance and independence and presents its conclusions on these matters to the Board on at least an annual basis, and annually considers whether to continue its engagement of Ernst & Young LLP.

The members of the Audit Committee and the Board believe that the continued retention of Ernst & Young LLP to serve as the Company's independent registered public accountants is in the best interests of the Company and its stockholders. We are asking you to ratify Ernst & Young LLP's appointment, although your ratification is not required. A representative of Ernst & Young LLP will be present at the meeting, will have the opportunity to make a statement and will be available to respond to appropriate questions.

Additional information concerning the Company's engagement of Ernst & Young LLP is included on page 56.

The Board recommends a vote FOR the ratification of the appointment of Ernst & Young LLP as the Company's independent registered public accountants.

PROPOSAL 3: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act requires us to provide an advisory stockholder vote to approve the compensation of the Company's named executive officers (''NEOs''), as such compensation is disclosed pursuant to the disclosure rules of the Commission. After the Company's 2017 annual meeting, the Board determined to hold this advisory ''say-on-pay'' vote every year. Accordingly, the Company is providing its stockholders with the opportunity to cast an advisory vote on the fiscal 2018 compensation of our NEOs as disclosed in this proxy statement, including the Compensation Discussion and Analysis (the ''CD&A''), the compensation tables and other narrative executive compensation disclosures.

Stockholders are being asked to vote on the following resolution:

''RESOLVED, that the stockholders approve the compensation of the Company's executive officers named in the 2018 Summary Compensation Table, as disclosed pursuant to Item 402 of Regulation S-K (which disclosure includes the Compensation Discussion and Analysis, the compensation tables and other narrative executive compensation disclosures).''

We are committed to aligning our executive compensation with our Company's performance. Over the last several years, the Company implemented a series of initiatives designed to better position several of our businesses for the future. The short-term effects of some of these initiatives have not produced the results that are expected. In response, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee (summarized below), resulted in CEO compensation that decreased 83% from fiscal 2015 to fiscal 2018 while total shareholder return decreased 66% during this same period.

<u>2017 Compensation Actions</u>

- Did not grant a Fall 2017 long-term performance-based equity incentive award. As a result, CEO long-term performance-based equity awards for fiscal 2017 were 70% ($3.5 million) below target.
- Exercised negative discretion to eliminate the Fall season short-term incentive payout, resulting in a total 2017 payout that was 75% ($3.3 million) below target.
- As a result of these actions, CEO compensation was 60% ($6.8 million) below the reduced target for fiscal 2017.
- CEO total compensation decreased by 61% ($9.1 million) from fiscal 2016 to fiscal 2017 while total shareholder return decreased by 15% during the same period.

<u>2018 Compensation Actions</u>

The Compensation Committee adjusted Mr. Wexner's target compensation for fiscal 2018 to reduce the amount of fixed compensation and put greater emphasis on performance-based compensation:

- Adjusted base salary from $2 million to $1 million, a reduction of 50% or $1 million.
- Reduced the short-term performance-based incentive compensation target from $4.4 million to $1.5 million, a reduction of 66% or $2.9 million.
- Adjusted the pay mix, increasing the weighting of long-term performance-based incentive compensation from 44% to 72% of total direct compensation.
- Decreased total direct compensation at target from $11.4 million to $9.0 million, a reduction of 21% or $2.4 million.
- Actual direct CEO compensation for fiscal 2018 was $3.9 million or 57% ($5.1 million) below the reduced target.
- Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.

2019 Compensation Actions

The Compensation Committee further adjusted Mr. Wexner's target compensation for fiscal 2019 by reducing the amount of fixed compensation and long-term performance-based incentive compensation at target:

- Reduced base salary from $1 million to $900,000, a reduction of 10%.
- Reduced long-term performance-based incentive compensation target from $6.5 million to $5.1 million.
- Decreased total direct compensation at target from $9.0 million to $7.5 million, a reduction of 17% or $1.5 million.

Although the advisory stockholder vote on executive compensation is non-binding, the Compensation Committee has considered and will continue to consider the outcome of the vote and feedback received from stockholders when making compensation decisions for NEOs. In 2018, 98.5% voted in favor of our executive compensation program.

Please refer to the CD&A for a detailed discussion of the Company's executive compensation principles and practices and the fiscal 2018 compensation of our NEOs.

Board Recommendation

Mr. Wexner's total compensation for fiscal 2018 was $4.6 million, which is well below the median of our peers. In addition, 2019 target pay is 39% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay.

The Board recommends a vote FOR this proposal.

PROPOSAL 4: STOCKHOLDER PROPOSAL TO REMOVE SUPERMAJORITY VOTING REQUIREMENTS

John Chevedden, 2215 Nelson Ave., No. 205 Redondo Beach, CA 90278, owner of 90 shares of Common Stock, has notified the Company that he intends to submit the following proposal at this year's meeting:

Proposal 4—Simple Majority Vote

RESOLVED, Shareholders request that our board take each step necessary so that each voting requirement in our charter and bylaws (that is explicit or implicit due to default to state law) that calls for a greater than simple majority vote be eliminated, and replaced by a requirement for a majority of the votes cast for and against applicable proposals, or a simple majority in compliance with applicable laws. If necessary this means the closest standard to a majority of the votes cast for and against such proposals consistent with applicable laws. This proposal includes taking the steps necessary to adjourn the annual meeting to solicit the votes necessary for approval if the votes for approval are lacking during the annual meeting.

Adjourn is mentioned 17 times in our bylaws. This proposal topic won from 74% to 88% support at Weyerhaeuser, Alcoa, Waste Management, Goldman Sachs, FirstEnergy, McGraw-Hill and Macy's. The proponents of these proposals included Ray T. Chevedden and William Steiner. The votes would have been higher than 74% to 88% if all shareholders had equal access to independent proxy voting advice. Currently a 1%-minority can frustrate the will of our 74%-shareholder majority on certain issues in an election in which 75% of shares cast ballots.

Adoption of this proposal would facilitate the adoption of annual election of each director. It is ridiculous to for an L Brands director beyond age 80 to run for a 3-year term and we had 4 such directors. Plus our stock is in the cellar. In 5-years of a robust market our stock dropped from $61 to $37.

Please vote yes:

Simple Majority Vote—Proposal 4

Our Response—Statement Regarding Stockholder Proposal to Remove Supermajority Voting Requirements

After careful consideration, the Board recommends a vote FOR this stockholder proposal. Regardless of whether this proposal is approved by stockholders, the Board will take the necessary steps to submit its own proposal at the 2020 annual meeting to amend our certificate of incorporation to remove supermajority voting requirements.

The Board recommends a vote FOR the Stockholder Proposal to Remove Supermajority Voting Requirements.

COMPENSATION-RELATED MATTERS

Compensation Discussion and Analysis

Executive Summary

We are committed to aligning our executive compensation with our Company's performance. Over the last several years, the Company implemented a series of initiatives designed to better position several of our businesses for the future. The short-term effects of some of these initiatives have not produced the results that are expected. In response, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee (summarized below), resulted in CEO compensation that decreased 83% from fiscal 2015 to fiscal 2018 while total shareholder return decreased 66% during this same period.

The Board reviews the Company's short- and long-term strategy with our CEO and management team regularly. As we have done in the past, we will continue to calibrate our CEO's compensation to the results of the business, and to the returns of our stakeholders.

2017 Compensation Actions

- Did not grant a Fall 2017 long-term performance-based equity incentive award. As a result, CEO long-term performance-based equity awards for fiscal 2017 were 70% ($3.5 million) below target.
- Exercised negative discretion to eliminate the Fall season short-term incentive payout, resulting in a total 2017 payout that was 75% ($3.3 million) below target.
- As a result of these actions, CEO compensation was 60% ($6.8 million) below the reduced target for fiscal 2017.
- **CEO total compensation decreased by 61% ($9.1 million) from fiscal 2016 to fiscal 2017, while total shareholder return decreased by 15% during the same period.**

2018 Compensation Actions

The Compensation Committee adjusted Mr. Wexner's target compensation for fiscal 2018 to reduce the amount of fixed compensation and put greater emphasis on performance-based compensation:

- Adjusted base salary from $2 million to $1 million, a reduction of 50% or $1 million.
- Reduced the short-term performance-based incentive compensation target from $4.4 million to $1.5 million, a reduction of 66% or $2.9 million.
- Adjusted the pay mix, increasing the weighting of long-term performance-based incentive compensation from 44% to 72% of total direct compensation.
- Decreased total direct compensation at target from $11.4 million to $9.0 million, a reduction of 21% or $2.4 million.
- **Actual direct CEO compensation for fiscal 2018 was $3.9 million or 57% ($5.1 million) below the reduced target.**
- **Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.**

2019 Compensation Actions

The Compensation Committee further adjusted Mr. Wexner's target compensation for fiscal 2019 by reducing the amount of fixed compensation and long-term performance-based incentive compensation at target:

- Reduced base salary from $1 million to $900,000, a reduction of 10%.
- Reduced long-term performance-based incentive compensation target from $6.5 million to $5.1 million.
- **Decreased total direct compensation at target from $9.0 million to $7.5 million, a reduction of 17% or $1.5 million.**

Fiscal 2018 Overview

Financial performance in 2018 was below our expectations. Operating income declined while growth across our brands was mixed: growth at Bath & Body Works was more than offset by declines at Victoria's Secret and our international segment.

At Bath & Body Works, an aligned, experienced leadership team and strong customer response to our merchandise assortments, driven by a close connection to our customer and a fast and agile supply chain, resulted in another record year, on top of a record 2017. In 2018, Bath & Body Works' comparable sales increased 11% and operating income increased 13%. Sales in the digital channel increased 30%. We ended the year with more than 600 newly remodeled stores, which include the White Barn store design. These stores present a new, compelling store experience for the brand and customers alike, driving sales growth.

Victoria's Secret underperformed in 2018 due to a poor assortment which reduced traffic, and resulted in increased promotion that negatively impacted margin rates. Our team is working hard to improve the assortment. Victoria's Secret segment comparable sales declined 2% for the year, and operating income declined 50%.

In Victoria's Secret Lingerie (''VSL''), we are seeing better performance in our newer bra launches. However, growth in new styles has not been enough to offset the declines in older sub-brands. We made a substantial investment in sleepwear for the Holiday season, and the category delivered strong growth over last year. VSL comparable sales declined in the low-single digit range in 2018. John Mehas joined the business in mid-February 2019 as the new CEO for Victoria's Secret Lingerie. John is an experienced and talented fashion merchant leader, and he is focused on getting close to our customers and improving the merchandise assortment.

PINK comparable sales declined in the mid-single digit range in 2018, as fashion errors in apparel drove a deceleration in performance. Amy Hauk moved from Bath & Body Works to join PINK as CEO late in 2018. She has been getting to really know the PINK customer and plans to bring fresh merchandise ideas in 2019.

Victoria's Secret Beauty improved sourcing speed and fashion, resulting in comparable sales increasing in the low-double digit range in 2018.

Outside North America, we have opened 74 net new stores in 2018, ending the year with 753 stores. Revenue in our international segment increased by 20% in 2018, but operating income declined, as growth in our franchise businesses was offset by underperformance in the United Kingdom and our investment in China.

Our franchise business – in Victoria's Secret Full Assortment (''VSFA''), PINK, Victoria's Secret Beauty and Accessories (''VSBA'') and Bath & Body Works stores – continues to grow at a high profit rate.

We are investing in China and have a strong leadership team with considerable experience to draw upon as we grow. China is an extremely important market and we have received positive responses to the Victoria's Secret brand and experienced rapid online growth.

In the United Kingdom, we continue to face challenges, influenced by the same issues as our North American business, as well as macro issues specific to the United Kingdom. We are focused on making the necessary changes to improve the business.

We also made some tough decisions that will enable us to increase our focus on our core businesses and our highest growth opportunities. These significant decisions included:

- Closing Henri Bendel;
- Selling the La Senza business; and
- Resetting our dividend and committing to deleverage.

These were the right choices that we believe will strengthen our company and help us deliver positive results.

We are equipped for success—strong brands which lead their categories and an experienced and talented leadership team—with significant growth opportunities both in and outside of North America. Although our performance in 2018 did not meet our expectations, we continue to hold leadership positions in the segments of retail in which we do business.

Pay for Performance

At L Brands, we recognize that our business is the ultimate change business. Our focus is on speed and agility, responding to change. Our compensation program reflects this philosophy, rewarding strong performance and significantly reducing compensation when performance does not meet our high expectations.

The Compensation Committee monitors our compensation program, ensuring that pay is aligned with performance. Over the last three years, CEO compensation has decreased significantly following performance that was challenged by changes intended to simplify the business and accelerate growth.

The following chart illustrates how CEO compensation has aligned with performance. In years of positive performance, CEO pay increased, while in years of decreasing total shareholder return, CEO pay decreased significantly:

The significant decrease in CEO compensation for fiscal 2018 resulted in CEO compensation that was significantly below the 25th percentile of our peer group (discussed below under the heading "Compensation Comparison"):

Proxy Statement

While these charts show how the compensation paid to Mr. Wexner, our CEO, by the Company aligns with performance, it is also important to note that Mr. Wexner is the beneficial owner of 17.35% of the Company's Common Stock. Accordingly, his personal wealth is tied directly to our stock price performance, which provides direct alignment with stockholder interests.

Stockholder Advisory Vote

In 2018, 98.5% of our stockholders voted in favor of our executive compensation program. The Compensation Committee considers this vote and other stockholder feedback when making compensation decisions for NEOs. We have a policy of robust engagement with stockholders, with continuing outreach to and dialogue with our major investors on a range of issues, including executive compensation matters. As indicated by the high-level support for our executive compensation program in 2018, the feedback from stockholders in 2018 regarding executive compensation was generally positive.

In addition, the Company reviewed its long-term compensation practices in light of the following feedback it received from proxy advisory firms:

- Performance requirement in which 100% of the award is earned if performance is achieved and none of the award is earned if performance is not achieved.
- Achievement of only one performance metric is required to earn awards under the long-term equity incentive program.
- A portion of long-term equity incentive awards are eligible to vest after two years.

In response to this feedback, effective for awards granted in March 2019, the Compensation Committee reviewed and redesigned the long-term performance-based equity incentive program as follows:

- Long-term equity incentives will be granted as a mix of 50% performance-based restricted stock units ("RSUs"), 30% time-vested RSUs and 20% stock options.
- Performance-based RSUs will be subject to achievement of two metrics – revenue growth and operating income as a percent of sales relative to our peer group, each weighted equally at 50%.
- Performance will be evaluated based on a scale, and payout will be interpolated between threshold, target and maximum:
    - Payout at threshold performance is 50% and is set at the 30th percentile of our peer group.
    - Payout at target performance is 100% and is set at the 50th percentile of our peer group.
    - Payout at maximum performance is 150% and is set at the 80th percentile of our peer group.
- The performance period for both metrics is three years, and 100% of both time-vested and performance-based RSUs vest after three years.

We continue the following compensation practices in accordance with our corporate governance principles and in response to stockholder and advisory group feedback:

- No tax gross-ups for NEOs upon a change in control.
- "No hedging" policy governing stock trading.
- Adopted a policy that discourages pledging of Company stock and requires advance approval by our General Counsel.
    - None of the Company's stock held by our NEOs or Board members is pledged.
- No re-pricing of stock options without stockholder approval.
- Double trigger vesting of equity awards upon a change in control.
- Clawback policy as described under "—Compensation Governance—Recovery of Compensation."
- Stock ownership guidelines set at five times base salary for our CEO and three times base salary for other NEOs. Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years.

- Stock plan that requires a vesting period of at least one year:
  - Three year minimum vesting period for RSUs that are based on the passage of time; and
  - One year minimum vesting period for stock options and for RSUs that are earned based on performance.
  - While these are the minimum requirements under the plan, stock options and performance-based RSUs awarded to our NEOs in fiscal 2018 generally vest over five years.

Conclusion

Executive Summary

We are committed to aligning our executive compensation with our Company's performance. Over the last several years, the Company implemented a series of initiatives designed to better position several of our businesses for the future. The short-term effects of some of these initiatives have not produced the results that are expected. In response, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee (summarized below), resulted in CEO compensation that decreased 83% from fiscal 2015 to fiscal 2018 while total shareholder return decreased 66% during this same period.

The Board reviews the Company's short- and long-term strategy with our CEO and management team regularly. As we have done in the past, we will continue to calibrate our CEO's compensation to the results of the business, and to the returns of our stakeholders.

2017 Compensation Actions

- Did not grant a Fall 2017 long-term performance-based equity incentive award. As a result, CEO long-term performance-based equity awards for fiscal 2017 were 70% ($3.5 million) below target.
- Exercised negative discretion to eliminate the Fall season short-term incentive payout, resulting in a total 2017 payout that was 75% ($3.3 million) below target.
- As a result of these actions, CEO compensation was 60% ($6.8 million) below the reduced target for fiscal 2017.
- **CEO total compensation decreased by 61% ($9.1 million) from fiscal 2016 to fiscal 2017, while total shareholder return decreased by 15% during the same period.**

2018 Compensation Actions

The Compensation Committee adjusted Mr. Wexner's target compensation for fiscal 2018 to reduce the amount of fixed compensation and put greater emphasis on performance-based compensation:

- Adjusted base salary from $2 million to $1 million, a reduction of 50% or $1 million.
- Reduced the short-term performance-based incentive compensation target from $4.4 million to $1.5 million, a reduction of 66% or $2.9 million.
- Adjusted the pay mix, increasing the weighting of long-term performance-based incentive compensation from 44% to 72% of total direct compensation.
- Decreased total direct compensation at target from $11.4 million to $9.0 million, a reduction of 21% or $2.4 million.
- **Actual direct CEO compensation for fiscal 2018 was $3.9 million or 57% ($5.1 million) below the reduced target.**
- **Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.**

2019 Compensation Actions

The Compensation Committee further adjusted Mr. Wexner's target compensation for fiscal 2019 by reducing the amount of fixed compensation and long-term performance-based incentive compensation at target:

- Reduced base salary from $1 million to $900,000, a reduction of 10%.
- Reduced long-term performance-based incentive compensation target from $6.5 million to $5.1 million.
- **Decreased total direct compensation at target from $9.0 million to $7.5 million, a reduction of 17% or $1.5 million.**

With these actions to reduce CEO pay, Mr. Wexner's total compensation for fiscal 2018 was $4.6 million, which is well below the median of our peers. In addition, 2019 target pay is 39% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay. Accordingly, we recommend stockholders vote FOR the executive compensation program as outlined in Proposal 3.

Executive Compensation Philosophy

Guiding Principles

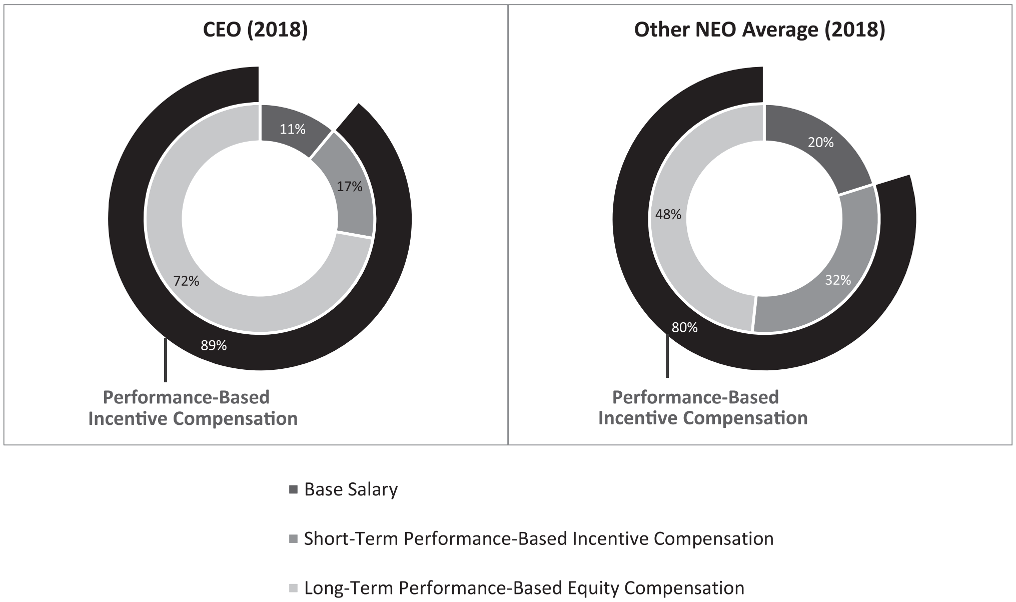
The Compensation Committee has built an executive compensation program based on the following clear and purposeful guiding principles:

Compensation Component	Our Principles
Pay Level	• Attract and retain superior leaders in a highly competitive market for talent. • Pay competitively and equitably. • Recognize depth and scope of accountability and complexity of responsibility.
Pay Mix	• Emphasize performance-contingent, long-term and equity-based compensation over fixed compensation.
Pay for Performance	• Recognize and reward enterprise, brand and individual performance. • Align executives' interests with stockholders' interests. • Require executives to own a significant amount of Common Stock. • Set Spring and Fall goals that reflect the seasonal nature of our business and incentivize goal achievement in each season. • Create long-term stockholder value through regular achievement of short-term goals while pursuing our longer-term strategy of growth in North America and internationally and increasing operating margins. • Retain and incentivize high-performers through long-term equity incentive awards.

Connecting Pay and Performance

Two key elements of our program's design connect pay to performance. First, our incentive goals are designed to challenge our NEOs to achieve a high level of performance to earn incentives at target. When our NEOs hit and exceed these goals, we compensate them accordingly.

Second, to further connect NEOs' pay to performance, we employ a pay mix philosophy that places greater emphasis on performance-based and equity compensation over base salary. The following charts illustrate our pay mix philosophy which consists of a lower percentage of base salary compared to performance-based pay at target.



To assess whether the Company's compensation program reflects our financial results as designed, the Compensation Committee's independent compensation consultant, Willis Towers Watson, analyzed our performance-based long-term equity and short-term total cash compensation for our NEOs across four key measures (total shareholder return, operating income, earnings per share and return on invested capital). The analysis tested the alignment of pay delivered over multiple timeframes relative to our peer group with performance measured by these specific metrics that are important to our Company and its stockholders. The analysis demonstrated that pay and performance are appropriately correlated over time.

Based on this analysis, Willis Towers Watson and the Compensation Committee concluded that our NEO compensation is aligned with performance and appropriate based on the competitive market, achievement of performance goals and total returns delivered to our stockholders. They also concluded that the executive compensation program's design appropriately responds to changes in our business and results.

Compensation Comparison

We compare our NEO compensation with publicly available data on executive compensation.

We define our peer group, with the help of Willis Towers Watson, to generally include:

- Specialty and department store retailers;
- Companies with brands that have emotional content;
- Businesses that are generally similar to the Company in total revenue, market capitalization, global locations, business and/or merchandise focus; and
- Retailers that compete with the Company for executive talent.

We review our peer group annually and did not make any changes in 2018. Our peer group consists of the following companies:

Abercrombie & Fitch Co.	J. C. Penney Company, Inc.	Ross Stores, Inc.
American Eagle Outfitters, Inc.	Kohl's Corporation	Starbucks Corporation
Avon Products, Inc.	Macy's, Inc.	Tapestry Inc.
Bed Bath & Beyond Inc.	NIKE, Inc.	The TJX Companies, Inc.
The Estee Lauder Companies Inc.	Nordstrom, Inc.	Williams-Sonoma, Inc.
The Gap, Inc.	Ralph Lauren Corporation	

We do not specifically set our NEOs' compensation against our peer group. Instead, we consider peer group comparisons as one of several factors in applying our pay philosophy and setting the pay of our NEOs. Our peer group is used by Willis Towers Watson, the Compensation Committee's independent compensation consultant, to analyze the effectiveness of our compensation program at delivering pay for performance on a relative basis.

Stock Ownership Guidelines

The Compensation Committee encourages Common Stock ownership by our NEOs through stock ownership guidelines which promote a long-term focus on performance, discourage inappropriate risk-taking and align the interests of our NEOs with those of our stockholders. Stock ownership guidelines can be met through direct or beneficial ownership of Common Stock, including Common Stock held under our stock and retirement plans.

Our CEO is required to maintain ownership of Common Stock with a value of five times his base salary. As the beneficial owner of 47,741,096 shares of Common Stock (17.35% of shares outstanding), Mr. Wexner's stock ownership well exceeds this minimum requirement.

Other NEOs are required to maintain beneficial ownership of Common Stock with a value of three times the NEO's base salary within five years of becoming subject to the ownership guideline. All of our NEOs are in compliance with this guideline.

Members of our Board must maintain ownership of at least the number of shares of Common Stock received as Board compensation over the previous four years. All members of our Board are in compliance with this policy.

Compensation for NEOs

Compensation Setting Process

The Compensation Committee makes all decisions regarding Mr. Wexner's compensation and Mr. Wexner makes recommendations on compensation for the other NEOs. The Compensation Committee oversees the evaluation process and compensation structure for the other NEOs and approves all NEO stock awards.

Target compensation for the NEOs is reviewed annually and is designed to reward historical performance, incentivize future performance and be competitive with the external market for talent.

Compensation Components

The three principal elements of our executive compensation programs are base salary, short-term performance-based cash incentive compensation and long-term performance-based equity incentive compensation. Each NEO's base salary is set considering similar criteria and all our NEOs, including our CEO, participate in the same short-term performance-based cash incentive compensation. The size and grant timing of long-term performance-based equity incentive compensation for our CEO is different from the other NEOs but the other key terms of the award are the same, including vesting and performance requirements. Other elements of compensation that may be paid to NEOs include retirement and other post-employment benefits and perquisites. Our CEO is not eligible for post-employment benefits under a severance or change in control agreement. Additional information about each of these compensation components is provided below.

Base Salary

The following factors are considered in determining base salary adjustments:

- Scope and responsibility of the NEO's position;
- Achievement of seasonal and annual business goals;
- Level of overall compensation paid by competitors for comparable positions;
- Recruitment, retention and development of leadership talent;
- The Company's challenging expectations for future growth; and
- The appropriate balancing of our NEOs' base salary against their incentive compensation.

As previously discussed, Mr. Wexner's base salary decreased significantly in fiscal 2018. Minimal or no changes were made to the base salaries of the other NEOs. In fact, Mr. Burgdoerfer and Mr. McGuigan have not received a base salary increase since 2016.

NEO	2018 Base Salary ($)	2017 Base Salary ($)	Increase (%)
Mr. Wexner	1,000,000	2,000,000	-50.0%
Mr. Burgdoerfer	900,000	900,000	0.0%
Mr. McGuigan	1,300,000	1,300,000	0.0%
Mr. Bersani	770,000	*	*
Ms. Milano	900,000	*	*
Mr. Coe	1,130,000	1,100,000	2.7%
Mr. Waters	925,000	900,000	2.8%

* Fiscal 2017 information is not required to be disclosed for Mr. Bersani and Ms. Milano because they were not NEOs until fiscal 2018.

Proxy Statement

Short-Term Performance-Based Cash Incentive Compensation

This program focuses on achievement of six-month goals, reflecting the seasonal nature of our business and the fact that achievement of our short-term goals season after season creates long-term value for our stockholders.

Our operations consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). Fall, including the holiday season, is weighted more heavily because of its importance to our profitability.

Short-term performance-based cash incentive compensation targets are set at a percentage of base salary with the amount earned ranging from zero to double the target incentive, based on the extent to which financial goals are achieved or exceeded.

The financial incentive provided by the short-term performance-based incentive compensation plan is a key component in driving the performance of the Company. For fiscal 2018, our NEOs' focus on maximizing operating income was especially important given strategic initiatives that were expected to put pressure on operating income.

The pre-established, objective financial goals for fiscal 2018 were based solely on operating income, subject to adjustment for extraordinary items pursuant to the 2015 Incentive Compensation Performance Plan (the "2015 ICPP") and approved by the Compensation Committee. Operating income is used because it is a performance measure over which executives can have significant impact and is also directly linked to the Company's long-term growth plan and performance that drives stockholder value. When evaluating operating income goals, the Compensation Committee compares the increase in operating income relative to the change in the incentive payments to associates at target.

Operating income goals are set at the beginning of each six-month season based on:

- An analysis of historical performance;
- Income goals for that brand;
- Financial results of other comparable businesses; and
- Progress toward achieving our strategic plan.

The table below shows the weighting of operating income goals used to determine short-term performance incentive payouts:

NEO	Short-Term Performance Incentive Goal Weighting and Metric
Mr. Wexner Mr. Burgdoerfer Mr. McGuigan Mr. Bersani Ms. Milano	80% weighted average of major brand performance: 55% Victoria's Secret operating income 30% Bath & Body Works operating income 15% Other operating income 20% Total L Brands operating income
Mr. Coe	100% Bath & Body Works operating income
Mr. Waters	90% weighted average of international brand operating income 10% international home office expense

In fiscal 2018, the Compensation Committee set goals at target that were lower than actual results in fiscal 2017 due to the following items that were expected to reduce operating income in fiscal 2018:

- In addition to regular merit increases, the Company increased wages $1 to $2 per hour for most hourly store associates.
- Our retail fiscal calendar included an extra week of sales and earnings in fiscal 2017.
- Increased costs related to our investment in full assortment stores and development of the direct channel in China for L Brands International.
- Investment in direct channel fulfillment capabilities.

The table below shows the operating income goals required to earn short-term performance-based incentive compensation at target and actual performance by season:

	Fiscal 2018 Spring Season		Fiscal 2018 Fall Season	
	Operating Income Goal	Actual Performance[1]	Operating Income Goal	Actual Performance[1]
Total L Brands	$462 million	$383 million	$1,080 million	$1,071 million
Victoria's Secret	332 million	196 million	475 million	332 million
Bath & Body Works	252 million	293 million	686 million	793 million
L Brands International[2]	-12 million	-14 million	2 million	-2 million
Other[2]	68 million	91 million	180 million	196 million

(1) Actual performance presents operating income on an adjusted basis which removes certain special items which are not indicative of our ongoing operations due to their size and nature. The Company uses adjusted financial information as key performance measures of results for purposes of evaluating performance internally, which may not correspond to amounts reported externally.

(2) L Brands International and Other include business unit operating income that is an internal performance measure and does not correspond to amounts reported externally.

To earn threshold payout, performance goals average approximately 60% to 90% of target. To earn maximum payout, performance goals average approximately 110% to 145% of target. Performance below threshold results in no payout. Performance between threshold and target and target and maximum is interpolated to determine payout percentage beginning at 20% at threshold up to 200% at maximum.

Payouts for fiscal 2018 performance are set forth below and in the ''Non-Equity Incentive Plan Compensation'' column of the 2018 Summary Compensation Table below.

Total Fiscal 2018 Incentive Payout

	Fiscal 2018 Target Incentive ($)	Fiscal 2018 Spring Incentive Payout ($)	Fiscal 2018 Fall Incentive Payout ($)	Total Fiscal 2018 Payout ($)	Percent of Fiscal 2018 Target (%)
Mr. Wexner	1,500,000	504,600	879,300	1,383,900	92%
Mr. Burgdoerfer	1,530,000	514,692	896,886	1,411,578	92%
Mr. McGuigan	2,210,000	743,444	1,295,502	2,038,946	92%
Mr. Bersani	1,001,000	336,736	586,786	923,523	92%
Ms. Milano	1,080,000	363,312	633,096	996,408	92%
Mr. Coe	2,034,000	1,627,200	2,440,800	4,068,000	200%
Mr. Waters	1,572,500	662,966	1,003,884	1,666,850	106%

<u>Long-Term Performance-Based Equity Incentive Compensation</u>

Stock awards are made to our NEOs under the 2015 Stock Option and Performance Incentive Plan (the ''2015 Plan''). Our equity-based long-term performance-based incentive program rewards past performance, reflected by the size of the award at grant, and encourages future performance with a challenging performance requirement. In addition, the vesting requirements increase the likelihood of retaining executives who are critical to our success.

For the NEOs other than Mr. Wexner, individual performance (including contribution to the achievement of business goals, execution of retail fundamentals and accomplishment of talent and cultural objectives), company performance, competitive practice, the Company's overall equity compensation expense budget, stockholder dilution, internal equity and retention risk are all considered in determining the size of their equity awards. The size and timing of Mr. Wexner's equity award is determined on a different basis, as described in detail below.

Stock Options

Stock options are intended to align executive interests with stockholder interests by creating a direct link between compensation and stockholder return, and to foster retention. Stock options granted to each NEO vest over five years, subject to continued employment. The exercise price is equal to the grant date closing price of Common Stock.

Performance-Based RSUs

Performance-based RSUs are intended to:

- Incentivize achievement of key performance metrics (through the performance requirement);
- Align executive rewards with those realized by stockholders (through the market value of our stock);
- Retain superior executive talent (through the time vesting requirements); and
- Reward exceptional individual performance (through annual determination of the size of the award).

Below is a summary of the RSU awards and stock options awarded in fiscal 2018:

	Value of RSU Award ($)	Value of Stock Option Award ($)	Total Fiscal 2018 Equity Award Value ($)
Mr. Wexner[(1)]	952,729	244,137	1,196,866
Mr. Burgdoerfer	1,748,530	117,737	1,866,267
Mr. McGuigan	2,059,168	169,926	2,229,094
Mr. Bersani[(2)]	1,775,448	98,009	1,873,457
Ms. Milano[(2)]	1,357,942	114,894	1,472,836
Mr. Coe	1,547,959	143,828	1,691,787
Mr. Waters	1,252,154	117,737	1,369,891

(1) While the performance requirement is the same, the amount and timing of Mr. Wexner's equity award are determined on a different basis than that of our other NEOs, as described in detail below.

(2) RSUs awarded to Mr. Bersani and Ms. Milano in March 2018 are not subject to the performance requirement because they were not NEOs at that time.

In order for performance-based RSUs to be earned, the Company's cumulative adjusted operating income, as a percentage of cumulative sales, must be in the top one-third of the S&P Retailing Index (also determined on a cumulative and adjusted basis) beginning with the fiscal year of the award through the fiscal year immediately preceding each vest date.

We use operating income in our short-term performance-based cash incentive program and as a component of our long-term performance-based equity incentive program because operating income is an important focus for our NEOs and an appropriate metric for measuring performance. However, while operating income is a component of both incentive programs, there are notable differences in the performance metrics used in the two programs, as detailed below:

- Operating income is the sole performance metric used for our short-term program while the long-term program is based on a metric that uses both operating income and sales;
- The use of operating income as a percentage of sales for our long-term program requires strong performance in both operating income and sales and measures the efficiency of our sales;
- The relative metric of the long-term program requires that our performance significantly exceeds that of companies within our industry for the pre-determined performance goal to be achieved; and
- The cumulative performance metric of the long-term program requires sustained performance over the five-year vesting period reflecting long-term performance of the Company.

Performance-based RSUs vest over five years, with 20% vesting on each of the second and third anniversaries of the grant date, and 30% on each of the fourth and fifth anniversaries, in each case subject to the performance measure being satisfied and continued employment. To the extent the performance metric is not met for any vesting tranche, the shares from such vesting tranche will be forfeited.

Equity awards are granted on the date the award is approved, unless the effective date of the reason for the award (such as hire date) is later than the approval date. In this case, the grant date is the later date.

Retirement and Other Post-Employment Benefits

Retirement and other post-employment benefits consist of qualified and non-qualified defined contribution retirement plan benefits and termination benefits.

Qualified Defined Contribution Retirement Plan

The qualified plan is available to all associates who meet certain age and service requirements. Associates can contribute up to the amounts allowable under Section 401 of the Internal Revenue Code of 1986 (the "Code"). The Company matches associates' contributions according to a predetermined formula and contributes additional amounts

based on a percentage of the associates' eligible annual compensation and years of service. Associates' contributions and Company matching contributions to the qualified plan vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service.

Non-Qualified Defined Contribution Deferred Compensation and Supplemental Retirement Plan

The non-qualified plan is available to all associates who meet certain age, service, job level and compensation requirements. The non-qualified plan is an unfunded plan which provides benefits beyond the Code limits for qualified defined contribution plans. The Company does not set aside assets to fund liabilities of the non-qualified plan. Assets that may be used to satisfy such liabilities are general assets of the Company, subject to the claims of the Company's creditors.

Associates can contribute to the non-qualified plan up to a maximum percentage of eligible compensation. The Company matches associates' contributions and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service.

The plan also permits participating associates to defer additional compensation which the Company does not match.

Associates' contributions to the non-qualified plan and the related interest accruals vest immediately. Company contributions and credits to the non-qualified plan and the related interest are subject to vesting based on years of service.

Termination Benefits: Severance and Change in Control Agreements

We have entered into severance and change in control agreements with our NEOs other than Mr. Wexner. See ''Retirement and Other Post-Employment Benefits—Estimated Post-Employment Payments and Benefits'' below for a description of estimated benefits in certain termination situations, including a change in control.

Upon a change in control, awards will only vest if the executive's employment is terminated by the executive for good reason or by the Company other than for cause within 24 months of the change in control. None of our NEOs is entitled to a tax gross-up upon a change in control.

Perquisites

We provide our NEOs with minimal perquisites that the Compensation Committee has determined are reasonable and in the best interests of the Company and its stockholders. These perquisites include the reimbursement of financial planning costs of up to $9,500 and supplemental disability and life insurance coverage provided by the Company for associates at the Vice President level and above, including the NEOs. In addition, to the extent that corporate provided aircraft is used by any NEO for personal purposes, the NEO has reimbursed the Company based on the greater of the amount established by the Internal Revenue Service (''IRS'') as reasonable for personal use or the aggregate incremental cost associated with the personal use of the corporate owned aircraft as determined by an independent, third party aircraft costing service.

CEO Compensation

Overview of CEO Pay

Mr. Wexner's compensation reflects the Company's performance. Total compensation decreased 20% from fiscal 2017 to 2018 while adjusted operating income[(1)] decreased 17%. Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.

[(1)] Operating income determined in accordance with accounting principles generally accepted in the United States of America (''GAAP'') for L Brands decreased 28%. The reconciliation of the adjusted measure to the comparable GAAP figure is on pages 23 to 24 of the Company's 2018 Annual Report on Form 10-K (the ''2018 10-K'').

CEO Stock Award Determination Overview

In fiscal 2018, the Compensation Committee transitioned to granting Mr. Wexner one annual stock award from the historical practice of granting one in the Spring, and one in the Fall.

Mr. Wexner's fiscal 2018 stock grant was granted near the end of the Fall season when Mr. Wexner's and the Company's performance was substantially determined for the fiscal year. This stock award is intended to recognize financial, strategic and operational performance for the fiscal year and incentivize future performance. The stock award was granted with a target value of $1.5 million (77% below target) as a combination of stock options and performance-based RSUs.

Mr. Wexner's stock award is subject to performance in two ways:

- The Compensation Committee goes through a rigorous quantitative and qualitative evaluation of historical performance to determine the size of the award; and
- Once granted, RSUs must be earned based on the attainment of a quantitative performance metric and the value of stock options is contingent on the stock price increasing.

The rigorous quantitative and qualitative evaluation that is used to determine the size of the award relative to target includes an analysis of:

- Absolute and relative total shareholder return over one and three years
- Absolute and relative return on invested capital over one and three years
- Sales and operating income growth
- Earnings per share
- Performance against pre-established financial targets
- Leadership talent development
- Success in fostering a high-performance culture

While the size of Mr. Wexner's stock award is determined on a quantitative and qualitative basis, once the size of the grant is determined, the Compensation Committee imposes a quantitative performance metric that the Company must achieve over the vesting period in order for Mr. Wexner to vest in the RSUs. The performance-based RSUs and stock options vest over five years, with 20% vesting on each of the second and third anniversaries of the grant date, and 30% on each of the fourth and fifth anniversaries. Performance-based RSUs must be earned based on achievement of adjusted operating income, as a percentage of cumulative sales, in the top one-third of the S&P Retailing Index (also determined on a cumulative and adjusted basis).

CEO Termination Benefits

Due to his unique role as the founder of the Company, Mr. Wexner is not covered by a severance or change in control agreement. However, all of Mr. Wexner's unvested stock options will vest upon death and all conditions applicable to the RSUs, including the performance condition will be deemed to have been satisfied. Subject to the achievement of pre-established performance conditions, RSUs will continue to vest upon Mr. Wexner's total disability. Upon retirement, RSUs will vest pro rata based on the fraction of whole months worked from the grant date over the full vesting period (i.e., one-fifth will vest if 12 full months are completed from the grant date for a grant that would otherwise vest over five years), subject to the achievement of performance conditions. In the event of a change in control, unvested RSU awards will vest if Mr. Wexner's employment is terminated other than for cause within 24 months of the change in control.

CEO Perquisites

The Board of Directors has approved a security program (the "Security Program") that provides security services to Mr. Wexner and his family. The Security Program is for the benefit of the Company and is appropriate given the risks associated with Mr. Wexner's position. We periodically hire a third party to review our Security Program to verify that a bona fide Company oriented security concern exists and that the Security Program costs are reasonable and consistent with these concerns. The Security Program requires Mr. Wexner to use corporate provided aircraft, or private aircraft that is in compliance with the Security Program, whether the purpose of the travel is business or personal.

The cost of security services which are not business related have been reimbursed to the Company by Mr. Wexner. In addition, to the extent that corporate provided aircraft is used by Mr. Wexner for personal purposes, he has reimbursed the Company as noted above under the heading ''—Compensation for NEOs—Perquisites''.

Compensation Governance

Compensation Committee

Our executive compensation program is overseen by the Compensation Committee. All of our Compensation Committee members are appointed by our Board and meet independence and other NYSE requirements. Compensation Committee members are selected based on their knowledge and experience in compensation matters from both their professional experience and their roles on other boards.

As part of its self-evaluation process, the Compensation Committee considers prevailing best practices and compliance with the highest governance standards. During fiscal 2018, the Compensation Committee also continued to engage with the full Board to maximize its effectiveness. The role of the Compensation Committee and information about its meetings are set forth in this proxy statement.

The Compensation Committee participated in the preparation of this CD&A and recommended to the Board that it be included in this proxy statement.

The Compensation Committee, together with the Company, also evaluates the Company's compensation structure from the perspective of enterprise risk. The Company's compensation structure includes risk mitigating factors such as a mix of pay that is balanced between long- and short-term, and fixed and variable payouts under the 2015 Plan and 2015 ICPP. Based on this evaluation, the Compensation Committee believes that the Company's compensation structures are appropriate and do not incentivize inappropriate taking of business risks.

The Compensation Committee is governed by a charter which is available on our website at *www.lb.com*.

Committee Meetings and Delegation

Members of Company management, including the Chief Human Resources Officer, Chief Operating Officer and the Chief Financial Officer, attend the Compensation Committee meetings along with the Senior Vice President of Total Rewards, who generally prepares meeting materials, and the Corporate Secretary, who records the minutes of the meeting. Members of Company management, including the CEO, do not play a role in recommending CEO compensation. The Compensation Committee regularly meets in executive session without management present.

The Compensation Committee may delegate its authority to subcommittees or the Chair of the Compensation Committee. In accordance with its charter, the Compensation Committee has delegated to our Chief Operating Officer, or his designee, the authority to make stock awards under the provisions of the 2015 Plan with a value up to $400,000 in any year to any associate who is not a Section 16 officer of the Company or a senior leadership team member.

Independent Compensation Consultant

As permitted by its charter, the Compensation Committee retained Willis Towers Watson as its independent executive compensation consultant and has the sole authority to retain and terminate any independent executive compensation consultant.

The Compensation Committee, considering recommendations from our management team, determines the work to be performed by the consultant. The consultant works with management to gather data required in preparing analyses for Compensation Committee review. Specifically, the services the consultant provides include:

- Assisting in evaluation of CEO and other NEO compensation;
- Informing the Compensation Committee of changing market practices;
- Consulting on our executive compensation strategy and program design;
- Analyzing alignment of pay and performance;
- Assisting in the selection of our peer group; and
- Assisting in the preparation and review of this disclosure.

In addition to the services provided at the request of the Compensation Committee, a separate division of Willis Towers Watson provides a call center tracking system for which we pay quarterly software usage fees. For fiscal 2018, these fees totaled $136,985. The fees paid to Willis Towers Watson for its services to the Compensation Committee in fiscal 2018 were $93,869. Total fees paid to Willis Towers Watson for the fiscal year were $230,854. The Compensation Committee, in its sole discretion, engaged Willis Towers Watson; such engagement was not made or recommended by management. The Compensation Committee did not participate in management's decision to engage Willis Towers Watson for its call center tracking system. The Compensation Committee has determined that the provision of this work by Willis Towers Watson is not material and does not impair the independence and objectivity of advice provided to the Compensation Committee on executive compensation matters.

The Compensation Committee reviews and approves the provision of additional services by Willis Towers Watson to the Company and evaluates the performance and independence of Willis Towers Watson, specifically considering independence factors identified by the Commission. This evaluation includes a review of written representations from Willis Towers Watson confirming their independence. Based on its evaluation, the Compensation Committee believes that there are no conflicts of interest that could impair Willis Towers Watson's ability to provide independent, objective advice to the Compensation Committee regarding executive compensation matters.

Tax Deductibility

Section 162(m) of the Code ("Section 162(m)") generally does not allow a tax deduction to public companies for compensation paid to certain executive officers that is more than $1 million during the tax year. Section 162(m) provided an exemption from this deduction limitation for compensation that qualified as "performance-based compensation." However, as part of the Tax Cuts and Jobs Act of 2017, this exemption was repealed, effective for taxable years beginning after December 31, 2017, subject to transition relief for certain arrangements in place as of November 2, 2017. Going forward, annual compensation in excess of $1 million for our covered senior executives will generally not be deductible. The Compensation Committee continues to have the flexibility to pay non-deductible compensation if it believes it is in the best interests of the Company.

Recovery of Compensation

Under the 2015 ICPP and the 2015 Plan, the Compensation Committee has the power and authority to recover previously awarded bonuses or equity-based compensation or profits if (i) required by applicable law with respect to a participant, (ii) a participant engaged in fraudulent conduct or activities (or had knowledge of such conduct or activities) relating to the Company or (iii) a participant should have had knowledge of such conduct or activities based on his or her position, duties or responsibilities.

Tally Sheets

To assess the reasonableness of the compensation of our NEOs, the Compensation Committee annually reviews a three-year history of all of the components of the NEOs' compensation, including salary, short-term incentive compensation, realized and unrealized gains on stock options and RSUs, the cost to the Company of all perquisites, benefits earned and accrued under the Company's non-qualified deferred compensation and supplemental executive retirement plan, and potential payouts under several potential severance and change-in-control scenarios. Based on this review, the Compensation Committee concluded that compensation components individually and in aggregate are reasonable, encourage retention, incentivize performance and are in the best interests of the Company and its stockholders.

Conclusion

We are committed to aligning our executive compensation with our Company's performance. Over the last several years, the Company implemented a series of initiatives designed to better position several of our businesses for the future. The short-term effects of some of these initiatives have not produced the results that are expected. In response, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee (summarized below), resulted in CEO compensation that decreased 83% from fiscal 2015 to fiscal 2018 while total shareholder return decreased 66% during this same period.

The Board reviews the Company's short- and long-term strategy with our CEO and management team regularly. As we have done in the past, we will continue to calibrate our CEO's compensation to the results of the business, and to the returns of our stakeholders.

2017 Compensation Actions

- Did not grant a Fall 2017 long-term performance-based equity incentive award. As a result, CEO long-term performance-based equity awards for fiscal 2017 were 70% ($3.5 million) below target.
- Exercised negative discretion to eliminate the Fall season short-term incentive payout, resulting in a total 2017 payout that was 75% ($3.3 million) below target.
- As a result of these actions, CEO compensation was 60% ($6.8 million) below the reduced target for fiscal 2017.
- **CEO total compensation decreased by 61% ($9.1 million) from fiscal 2016 to fiscal 2017, while total shareholder return decreased by 15% during the same period.**

2018 Compensation Actions

The Compensation Committee adjusted Mr. Wexner's target compensation for fiscal 2018 to reduce the amount of fixed compensation and put greater emphasis on performance-based compensation:

- Adjusted base salary from $2 million to $1 million, a reduction of 50% or $1 million.
- Reduced the short-term performance-based incentive compensation target from $4.4 million to $1.5 million, a reduction of 66% or $2.9 million.
- Adjusted the pay mix, increasing the weighting of long-term performance-based incentive compensation from 44% to 72% of total direct compensation.
- Decreased total direct compensation at target from $11.4 million to $9.0 million, a reduction of 21% or $2.4 million.
- **Actual direct CEO compensation for fiscal 2018 was $3.9 million or 57% ($5.1 million) below the reduced target.**
- **Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.**

2019 Compensation Actions

The Compensation Committee further adjusted Mr. Wexner's target compensation for fiscal 2019 by reducing the amount of fixed compensation and long-term performance-based incentive compensation at target:

- Reduced base salary from $1 million to $900,000, a reduction of 10%.
- Reduced long-term performance-based incentive compensation target from $6.5 million to $5.1 million.
- **Decreased total direct compensation at target from $9.0 million to $7.5 million, a reduction of 17% or $1.5 million.**

With these actions to reduce CEO pay, Mr. Wexner's total compensation for fiscal 2018 was $4.6 million, which is well below the median of our peers. In addition, 2019 target pay is 39% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay. Accordingly, we recommend stockholders vote FOR the executive compensation program as outlined in Proposal 3.

2018 Summary Compensation Table

The following table sets forth information concerning total compensation earned by or paid to our CEO, Chief Financial Officer and our three other most highly compensated NEOs during the fiscal year ended February 2, 2019.

Name and Principal Position[(1)]	Year	Salary ($)	Bonus ($)[(2)]	Stock Awards ($)[(3)(4)]	Option Awards ($)[(3)(4)]	Non-Equity Incentive Plan Compen-sation($)[(5)]	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($)[(6)]	All Other Compen-sation ($)[(7)]	Total ($)
Leslie H. Wexner. . . . . Chairman of the Board, CEO	2018	$1,000,000	$0	$ 952,729	$ 244,137	$1,383,900	$638,289	$ 334,255	$ 4,553,310
	2017	2,000,000	0	920,767	253,420	1,112,320	601,942	807,128	5,695,577
	2016	2,000,000	0	7,159,010	2,231,003	1,657,920	553,781	1,172,130	14,773,844
Stuart B. Burgdoerfer. . . . . Executive Vice President, Chief Financial Officer	2018	900,000	0	1,748,530	117,737	1,411,578	79,008	260,080	4,516,933
	2017	900,000	0	1,616,479	83,980	1,022,040	70,437	316,520	4,009,456
	2016	890,923	0	2,426,441	90,705	956,448	60,403	388,959	4,813,879
Charles C. McGuigan. . . . . Chief Operating Officer, CEO/President, Mast Global	2018	1,300,000	0	2,059,168	169,926	2,038,946	123,879	369,008	6,060,927
	2017	1,300,000	0	2,434,972	121,308	1,476,280	110,693	451,336	5,894,589
	2016	1,290,385	0	3,154,443	117,924	1,381,536	95,421	530,468	6,570,177
James L. Bersani. . . . . President, Real Estate	2018	766,923	0	1,775,448	98,009	923,523	164,461	202,717	3,931,081
Shelley M. Milano. . . . . Chief Human Resources Officer	2018	849,846	0	1,357,942	114,894	996,408	8,979	133,123	3,461,192
Nicholas P. M. Coe . . . . CEO/President, Bath & Body Works	2018	1,125,385	0	1,547,959	143,828	4,068,000	59,567	513,218	7,457,957
	2017	1,100,000	0	1,902,944	102,644	2,522,124	46,311	523,802	6,197,825
	2016	1,080,769	0	2,426,441	90,705	2,503,556	32,365	560,907	6,694,743
Martin P. Waters . . . . CEO/President, L Brands International	2018	921,154	0	1,252,154	117,737	1,666,850	48,872	337,196	4,343,963
	2017	900,000	0	1,616,479	83,980	1,763,172	39,955	279,213	4,682,799
	2016	890,385	0	2,426,441	90,705	1,094,688	32,295	294,972	4,829,486

(1) Our Board regularly reviews our list of executive officers based on their roles and scope of authority. Messrs. Coe and Waters are included here since they were considered executive officers until May 2018.

(2) Performance-based incentive compensation bonuses are disclosed in this table under the Non-Equity Incentive Plan Compensation column. None of our NEOs received a nonperformance-based award in fiscal 2018.

(3) The value of stock and option awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with Accounting Standards Codification (“ASC”) Topic 718 Compensation—Stock Compensation, for each award. Stock options are valued using the Black-Scholes option pricing model. See Note 21 to the Company’s financial statements filed in the 2018 10-K for the related assumptions for stock options granted during fiscal 2018, 2017 and 2016 and for a discussion of our assumptions in determining the aggregate grant date fair value of these awards. Awards vest over time and, therefore, are not realizable on an annual basis, nor is the ultimate value determinable without reference to future performance.

(4) Stock and option awards were granted to each NEO under the Company’s 2015 Plan. Awards are long-term compensation and generally vest over five years and are not realizable on an annual basis.

(5) Represents the aggregate of the non-equity performance-based incentive compensation for the applicable fiscal Spring and Fall selling seasons. Incentive compensation targets are set based on a percentage of base salary and are paid seasonally based on the achievement of operating income results. The following table illustrates the amount of the compensation which is paid in cash and voluntarily deferred:

	Paid in Cash ($)	Deferred Cash ($)	Total ($)
Mr. Wexner	$1,345,014	$ 38,886	$1,383,900
Mr. Burgdoerfer	1,364,746	46,832	1,411,578
Mr. McGuigan	1,978,678	60,268	2,038,946
Mr. Bersani	886,621	36,902	923,523
Ms. Milano	767,250	229,158	996,408
Mr. Coe	3,944,052	123,948	4,068,000
Mr. Waters	1,612,986	53,864	1,666,850

(6) The Company does not sponsor a defined benefit retirement plan (tax-qualified or non-qualified). For fiscal 2018, the amounts shown represent the amount by which earnings on each NEO's non-qualified plan balance at an annual effective rate of 5.00% exceed 120% of the applicable federal long-term rate at the time the rate was set in October 2017.

(7) The following table details all other compensation paid to each NEO during our last fiscal year:

	Financial Planning Services Provided to Executive ($)	Incremental Company Cost to Provide Supplemental Life and Disability Insurance Coverage ($)	Company Contributions to the Executive's Qualified and Non-Qualified Retirement Plan Account ($)	Total ($)
Mr. Wexner	$ 0	$1,558	$332,697	$334,255
Mr. Burgdoerfer	9,500	2,120	248,460	260,080
Mr. McGuigan	3,420	1,995	363,593	369,008
Mr. Bersani	9,500	1,558	191,659	202,717
Ms. Milano	0	1,558	131,565	133,123
Mr. Coe	0	2,120	511,098	513,218
Mr. Waters	3,100	2,120	331,976	337,196

Grants of Plan-Based Awards for Fiscal 2018

The following table provides information relating to plan-based awards and opportunities granted to the NEOs during the fiscal year ended February 2, 2019.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)						
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**All Other Stock Awards: Number of Shares of Stock or Units (#)(3)**	**All Other Option Awards: Number of Securities Underlying Options (#)(4)**	**Exercise or Base Price of Option Awards ($/Sh)**	**Grant Date Fair Value of Stock and Option Awards ($)(5)**
Leslie H. Wexner	1/30/2019								40,894	$27.51	$ 244,137
	1/30/2019					40,894					952,729
		$300,000	$1,500,000	$3,000,000							
Stuart B. Burgdoerfer	3/21/2018								17,599	39.42	117,737
	3/21/2018					17,599					545,745
	4/25/2018					44,416					1,202,785
		306,000	1,530,000	3,060,000							
Charles C. McGuigan	3/21/2018								25,400	39.42	169,926
	3/21/2018					25,400					787,654
	4/25/2018					46,954					1,271,514
		442,000	2,210,000	4,420,000							
James L. Bersani	3/21/2018								14,650	39.42	98,009
	3/21/2018							14,650			454,297
	4/25/2018							48,787			1,321,152
		200,200	1,001,000	2,002,000							
Shelley M. Milano	3/21/2018								13,794	39.42	92,282
	5/16/2018								3,839	34.19	22,612
	3/21/2018							13,794			427,752
	5/16/2018					3,839					99,161
	5/16/2018					32,173					831,029
		216,000	1,080,000	2,160,000							
Nicholas P. M. Coe	3/21/2018								21,499	39.42	143,828
	3/21/2018					21,499					666,684
	3/29/2018					29,573					881,275
		406,800	2,034,000	4,068,000							
Martin P. Waters	3/21/2018								17,599	39.42	117,737
	3/21/2018					17,599					545,745
	4/25/2018					26,086					706,409
		314,500	1,572,500	3,145,000							

(1) Non-Equity Incentive Plan Awards represent the Threshold, Target and Maximum opportunities under the 2015 ICPP for the 2018 Spring and Fall seasons. The actual amount earned under this plan is disclosed in the 2018 Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column.

(2) Equity Incentive Plan Awards were granted pursuant to the Company's 2015 Plan.

Equity Incentive Plan Awards represent the Target payment of performance-based RSUs for fiscal 2018. No amount is disclosed for Threshold and Maximum since the number of performance-based RSUs earned does not fluctuate based on performance. Units are earned at target, or not at all.

Awards granted on March 21, 2018 and to Ms. Milano on May 16, 2018 are subject to the Company's achievement of operating income as a percentage of sales ranking in the top one-third of the S&P Retailing Index in each of fiscal 2018, 2019, 2020, 2021 and 2022 determined on a cumulative basis. If the performance condition is met, the RSUs will vest 20% on the second and third anniversaries of the grant date and 30% on the fourth and fifth anniversaries of the grant date, subject to continued employment.

In each case, the vesting of these awards is subject to continued employment. Dividends are not paid or accrued on stock awards or stock units until such shares vest.

(3) All Other Stock Awards were granted pursuant to the Company's 2015 Plan. Grant dates were established on the date the grants were approved by the Compensation Committee. Awards vest 20% on the second and third anniversaries of the grant date and 30% on the fourth and fifth anniversaries of the grant date.

In each case, the vesting of these awards is subject to continued employment.

(4) Option Awards were granted pursuant to the Company's 2015 Plan. Option grant dates were established on the date the grants were approved by the Compensation Committee and the exercise price is the closing price of Common Stock on the grant date.

Option Awards vest 20% on the second and third anniversaries of the grant date and 30% on the fourth and fifth anniversaries of the grant date.

In each case, the vesting of these awards is subject to continued employment.

(5) The value of stock and option awards reflects the grant date fair value under ASC Topic 718 Compensation—Stock Compensation for each award. Options are valued using the Black-Scholes option pricing model with the following weighted average assumptions as set forth in the Company's financial statements filed in the 2018 10-K: dividend yield of 5.8%, volatility of 36%, risk free interest rate of 2.5% and expected life of 2.9 years. RSUs are valued based on the fair market value of a share of Common Stock on the date of grant, adjusted for anticipated dividend yields.

Outstanding Equity Awards at Fiscal Year-End for Fiscal 2018

The following table provides information relating to outstanding equity awards granted to the NEOs as of fiscal year end, February 2, 2019.

	Option Awards						Restricted Stock Awards				
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Grant Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[21]	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[25]
Leslie H. Wexner	1/31/2013	161,559	0	0	45.03	1/31/2023					
	3/29/2013	55,129	0	0	41.88	3/29/2023					
	1/30/2014	124,191	0	0	49.38	1/30/2024					
	3/31/2014	29,808	12,777[1]	0	54.21	3/31/2024					
	1/28/2015	87,176	37,363[2]	0	81.11	1/28/2025					
	4/02/2015	10,528	15,797[3]	0	91.17	4/02/2025					
	1/27/2016	52,336	78,505[4]	0	91.71	1/27/2026					
	3/31/2016	5,466	21,866[5]	0	87.81	3/31/2026					
	1/25/2017	18,917	75,667[6]	0	61.85	1/25/2027					
	3/31/2017	0	23,885[7]	0	47.10	3/31/2027					
	1/30/2019	0	40,894[8]	0	27.51	1/30/2029					
							1/30/2014	0	0	37,257[9]	1,011,528
							3/31/2014	0	0	12,777[10]	346,896
							1/28/2015	0	0	74,725[11]	2,028,784
							4/02/2015	0	0	15,797[12]	428,889
							1/27/2016	0	0	104,673[13]	2,841,872
							3/31/2016	0	0	21,866[14]	593,662
							1/25/2017	0	0	94,584[15]	2,567,956
							3/31/2017	0	0	23,885[16]	648,478
							1/30/2019	0	0	40,894[17]	1,110,272
Stuart B. Burgdoerfer	3/31/2011	12,773	0	0	26.43	3/31/2021					
	3/30/2012	17,329	0	0	41.54	3/30/2022					
	3/29/2013	23,611	0	0	41.88	3/29/2023					
	3/31/2014	15,957	6,840[1]	0	54.21	3/31/2024					
	4/02/2015	5,610	8,420[3]	0	91.17	4/02/2025					
	3/31/2016	1,708	6,833[5]	0	87.81	3/31/2026					
	3/31/2017	0	14,331[7]	0	47.10	3/31/2027					
	3/21/2018	0	17,599[18]	0	39.42	3/21/2028					
							3/31/2014	0	0	11,401[10]	309,537
							4/02/2015	0	0	19,647[12]	533,416
							3/31/2016	0	0	25,054[14]	680,216
							3/31/2017	0	0	41,932[16]	1,138,454
							3/21/2018	0	0	17,599[19]	477,813
							4/25/2018	0	0	44,416[20]	1,205,894

		Option Awards					Restricted Stock Awards				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[21]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[25]**
Charles C. McGuigan	3/31/2011	22,991	0	0	26.43	3/31/2021					
	3/30/2012	20,580	0	0	41.54	3/30/2022					
	3/29/2013	28,037	0	0	41.88	3/29/2023					
	3/31/2014	18,948	8,123[1]	0	54.21	3/31/2024					
	4/02/2015	8,225	12,341[3]	0	91.17	4/02/2025					
	3/31/2016	2,220	8,884[5]	0	87.81	3/31/2026					
	3/31/2017	0	20,701[7]	0	47.10	3/31/2027					
	3/21/2018	0	25,400[18]	0	39.42	3/21/2028					
							3/31/2014	0	0	13,539[10]	367,584
							4/02/2015	0	0	28,796[12]	781,811
							3/31/2016	0	0	32,570[14]	884,276
							3/31/2017	0	0	63,164[16]	1,714,903
							3/21/2018	0	0	25,400[19]	689,610
							4/25/2018	0	0	46,954[20]	1,274,801
James L. Bersani	3/31/2011	28,373	0	0	26.43	3/31/2021					
	3/30/2012	11,279	0	0	41.54	3/30/2022					
	3/29/2013	11,638	0	0	41.88	3/29/2023					
	3/31/2014	6,481	2,779[1]	0	54.21	3/31/2024					
	4/02/2015	2,302	3,455[3]	0	91.17	4/02/2025					
	3/31/2016	1,708	6,833[5]	0	87.81	3/31/2026					
	3/31/2017	0	11,943[7]	0	47.10	3/31/2027					
	3/21/2018	0	14,650[18]	0	39.42	3/21/2028					
							3/31/2014	10,189[10]	276,631	0	0
							4/02/2015	8,064[12]	218,938	0	0
							3/31/2016	13,438[14]	364,842	0	0
							3/31/2017	35,828[16]	972,730	0	0
							3/21/2018	14,650[19]	397,748	0	0
							4/25/2018	48,787[20]	1,324,567	0	0
Shelley M. Milano	3/31/2016	3,587	1,794[5]	0	87.81	3/31/2026					
	3/31/2017	0	10,533[7]	0	47.10	3/31/2027					
	3/21/2018	0	13,794[18]	0	39.42	3/21/2028					
	5/16/2018	0	3,839[21]	0	34.19	5/16/2028					
							3/31/2016	12,556[23]	340,895	0	0
							3/31/2017	24,578[16]	667,293	0	0
							3/21/2018	13,794[19]	374,507	0	0
							5/16/2018	0	0	36,012[29]	977,726

	Option Awards						Restricted Stock Awards				
Name	**Grant Date**	**Number of Securities Underlying Unexercised Options Exercisable (#)**	**Number of Securities Underlying Unexercised Options Unexercisable (#)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Grant Date**	**Number of Shares or Units of Stock That Have Not Vested (#)**	**Market Value of Shares or Units of Stock That Have Not Vested ($)[21]**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)[25]**
Nicholas P.M. Coe	3/30/2012	4,474	0	0	41.54	3/30/2022					
	3/29/2013	19,879	0	0	41.88	3/29/2023					
	3/31/2014	17,913	7,678[1]	0	54.21	3/31/2024					
	4/02/2015	6,579	9,873[3]	0	91.17	4/02/2025					
	3/31/2016	1,708	6,833[5]	0	87.81	3/31/2026					
	3/31/2017	0	17,516[7]	0	47.10	3/31/2027					
	3/21/2018	0	21,499[18]	0	39.42	3/21/2028					
							3/31/2014	0	0	12,800[10]	347,520
							4/02/2015	0	0	23,038[12]	625,482
							3/31/2016	0	0	25,054[14]	680,216
							3/31/2017	0	0	49,363[16]	1,340,205
							3/21/2018	0	0	21,499[19]	583,698
							3/29/2018	0	0	29,573[22]	802,907
Martin P. Waters	3/31/2011	6,149	0	0	26.43	3/31/2021					
	3/30/2012	27,074	0	0	41.54	3/30/2022					
	3/29/2013	27,757	0	0	41.88	3/29/2023					
	3/31/2014	15,007	6,433[1]	0	54.21	3/31/2024					
	4/02/2015	5,593	8,392[3]	0	91.17	4/02/2025					
	3/31/2016	1,708	6,833[5]	0	87.81	3/31/2026					
	3/31/2017	0	14,331[7]	0	47.10	3/31/2027					
	3/21/2018	0	17,599[18]	0	39.42	3/21/2028					
							3/31/2014	0	0	10,725[10]	291,184
							4/02/2015	0	0	19,581[12]	531,624
							3/31/2016	0	0	25,054[14]	680,216
							3/31/2017	0	0	41,932[16]	1,138,454
							3/21/2018	0	0	17,599[19]	477,813
							4/25/2018	0	0	26,086[20]	708,235

(1) Options vest on March 31, 2019.

(2) Options vest on January 28, 2020.

(3) Options vest 50% on April 2, 2019 and 50% on April 2, 2020.

(4) Options vest 50% on January 27, 2020 and 50% on January 27, 2021.

(5) Options vest 25% on March 31, 2019, 37.5% on March 31, 2020 and 37.5% on March 31, 2021.

(6) Options vest 25% on January 25, 2020, 37.5% on January 25, 2021 and 37.5% on January 25, 2022.

(7) Options vest 20% on March 31, 2019, 20% on March 31, 2020, 30% on March 31, 2021 and 30% on March 31, 2022.

(8) Options vest 20% on January 30, 2021, 20% on January 30, 2022, 30% on January 30, 2023 and 30% on January 30, 2024.

(9) Shares vested on January 30, 2019, subject to achievement of a performance condition.

(10) Shares vest on March 31, 2019, subject to achievement of a performance condition.

(11) 50% vested on January 28, 2019, subject to achievement of a performance condition. Remaining shares vest on January 28, 2020, also subject to achievement of a performance condition.

(12) Subject to achievement of a performance condition, shares vest 50% on April 2, 2019 and 50% on April 2, 2020.

(13) 25% vested on January 27, 2019, subject to achievement of a performance condition. Remaining shares vest 37.5% on January 27, 2020 and 37.5% on January 27, 2021, also subject to achievement of a performance condition.

(14) Subject to achievement of a performance condition, shares vest 25% on March 31, 2019, 37.5% on March 31, 2020 and 37.5% on March 31, 2021.

(15) 20% vested on January 25, 2019 subject to achievement of a performance condition. Remaining shares vest 20% on January 25, 2020, 30% on January 25, 2021 and 30% on January 25, 2022, also subject to achievement of a performance condition.

(16) Subject to achievement of a performance condition, shares vest 20% on March 31, 2019, 20% on March 31, 2020, 30% on March 31, 2021 and 30% on March 31, 2022.

(17) Subject to achievement of a performance condition, shares vest 20% on January 30, 2021, 20% on January 30, 2022, 30% on January 30, 2023 and 30% on January 30, 2024.

(18) Options vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.

(19) Subject to achievement of a performance condition, shares vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.

(20) Subject to achievement of a performance condition, shares vest 20% on April 25, 2020, 20% on April 25, 2021, 30% on April 25, 2022 and 30% on April 25, 2023.

(21) Options vest 20% on May 16, 2020, 20% on May 16, 2021, 30% on May 16, 2022 and 30% on May 16, 2023.

(22) Subject to achievement of a performance condition, shares vest 20% on March 29, 2020, 20% on March 29, 2021, 30% on March 29, 2022 and 30% on March 29, 2023.

(23) Shares vest on March 31, 2019.

(24) Shares vest 50% on April 2, 2019 and 50% on April 2, 2020.

(25) Shares vest 25% on March 31, 2019, 37.5% on March 31, 2020 and 37.5% on March 31, 2021.

(26) Shares vest 20% on March 31, 2019, 20% on March 31, 2020, 30% on March 31, 2021 and 30% on March 31, 2022.

(27) Shares vest 20% on March 21, 2020, 20% on March 21, 2021, 30% on March 21, 2022 and 30% on March 21, 2023.

(28) Shares vest 20% on April 25, 2020, 20% on April 25, 2021, 30% on April 25, 2022 and 30% on April 25, 2023.

(29) Subject to achievement of a performance condition, shares vest 20% on May 16, 2020, 20% on May 16, 2021, 30% on May 16, 2022 and 30% on May 16, 2023.

(30) Market value based on the $27.15 fair market value of a share of Common Stock on the last trading day of the fiscal year (February 1, 2019).

Option Exercises and Stock Vested Information for Fiscal 2018

The following table provides information relating to Option Awards exercised and RSU Awards vested during the fiscal year ended February 2, 2019.

	Option Awards		Restricted Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)(1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)(2)
Leslie H. Wexner	0	0	176,851	6,046,536
Stuart B. Burgdoerfer	0	0	33,065	1,130,492
Charles C. McGuigan	0	0	56,869	1,952,881
James L. Bersani	0	0	22,055	839,630
Shelley M. Milano	0	0	0	0
Nicholas P. M. Coe	0	0	69,808	2,386,735
Martin P. Waters	0	0	32,437	1,113,855

(1) Option Award Value Realized is calculated based on the difference between (a) the sale price and the option exercise price for shares that were sold upon exercise and (b) the closing price on the day prior to the date of exercise and the option exercise price for shares that were held upon exercise.

(2) Restricted Stock Award Value Realized is calculated based on the closing stock price on the date the RSUs vested.

Retirement and Other Post-Employment Benefits

Non-qualified Deferred Compensation for Fiscal 2018(1)

Name	Executive Contributions in Last Fiscal Year ($)(2)	Registrant Contributions in Last Fiscal Year ($)(3)	Aggregate Earnings in Last Fiscal Year ($)(4)	Aggregate Withdrawals/ Distributions ($)(5)	Aggregate Balance at Last Fiscal Year End($)(6)
Leslie H. Wexner	40,350	316,185	1,595,722	0	33,631,818
Stuart B. Burgdoerfer	53,248	220,948	197,519	0	4,251,690
Charles C. McGuigan	80,581	336,081	309,698	0	6,657,639
James L. Bersani	189,858	164,147	429,691	0	9,009,646
Shelley M. Milano	232,751	108,181	22,446	0	646,724
Nicholas P. M. Coe	124,298	483,586	148,917	0	3,354,105
Martin P. Waters	128,369	304,464	183,938	0	3,440,714

(1) Amounts disclosed include non-qualified cash deferrals, Company matching contributions, retirement credits and earnings under the Company's Supplemental Retirement Plan (a non-qualified defined contribution plan) and stock deferrals and related reinvested dividend earnings under the Company's amended and restated 1993 Stock Option and Performance Incentive Plan (the "1993 Plan"), 2011 Plan and 2015 Plan. Executive Contributions and related matching Registrant Contributions represent 2018 calendar year deferrals and matches on incentive compensation payments earned based on performance for the Fall 2017 season, which was paid in March 2018, and for the Spring 2018 season, which was paid in August 2018.

(2) All of the contributions are reported in the 2018 Summary Compensation Table under the "Salary" and/or "Non-Equity Incentive Plan Compensation" columns.

(3) Reflects the Company's 200% match of associate contributions of up to 3% of base salary and bonus above the IRS qualified plan maximum compensation limit and the Company's retirement contribution of 6% for less than five years of service or 8% for five or more years of service of compensation above the IRS qualified plan maximum compensation limit. Associates become fully vested in these contributions after six years of service. These contributions are also included under the "All Other Compensation" column of the 2018 Summary Compensation Table.

(4) Non-qualified deferred cash compensation balances earn a fixed rate of interest determined prior to the beginning of each year.

The portion of the earnings on deferred cash compensation that exceeds 120% of the applicable federal long-term rate in the amount of $638,289, $79,008, $123,879, $164,461, $8,979, $59,567 and $48,872 for Mr. Wexner, Mr. Burgdoerfer, Mr. McGuigan, Mr. Bersani, Ms. Milano, Mr. Coe and Mr. Waters, respectively, is disclosed in the "Change in Pension Value and Non-qualified Deferred Compensation Earnings" column of the 2018 Summary Compensation Table.

Amount includes dividends earned on deferred stock and RSU balances in the amount of $18,538 for Mr. Bersani and $61,758 for Mr. Waters. Dividends are reinvested into additional stock units based on the closing market price of Common Stock on the dividend payment date.

(5) Participants may elect to receive the funds in a lump sum or in up to ten annual installments following termination of employment, but generally may not make withdrawals during their employment. Deferrals under the Supplemental Retirement Plan, the 1993 Plan, the 2011 Plan and the 2015 Plan are unfunded.

(6) Balance includes the value of deferred stock and RSUs at calendar year-end in the amount of $54,978 for Mr. Waters. Value is calculated based on a stock price of $27.15 per share of Common Stock on February 1, 2019.

Estimated Post-Employment Payments and Benefits

We have entered into certain agreements with our NEOs that will require us to provide compensation in the event of a termination of employment, including a termination following a change in control of our Company.

Mr. Wexner is not covered by such an agreement but is entitled to certain termination compensation under the terms of our benefit and stock plans.

The following tables set forth the expected benefits to be received by each of the other NEOs in the event of termination resulting from various scenarios, assuming a termination date of February 2, 2019 and a stock price of $27.15, the price of our Common Stock on February 1, 2019. Each scenario relates to the single termination event described and amounts are not cumulative in situations where multiple scenarios may apply.

Assumptions and explanations of the numbers set forth in the tables below are set forth in additional text following the tables.[1]

Leslie H. Wexner

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control			Voluntary Resignation/ Retirement
	w/out Release ($)	& Signed Release ($)	($)	Death ($)[5]	Disability ($)	($)
Base Salary	$ 0	0	$ 0	$ 0	$ 0	$ 0
Bonus[2]	0	0	0	0	0	
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	5,732,017	5,732,017	11,578,335	11,578,334	11,578,335	5,732,017
Benefits and Perquisites[4]	75,490	75,490	75,490	2,075,490	550,490	75,490
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$5,807,507	$5,807,507	$11,653,825	$13,653,825	$12,128,825	$5,807,507

Stuart B. Burgdoerfer

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control			Voluntary Resignation/ Retirement
	w/out Release ($)	& Signed Release ($)	($)	Death ($)[5]	Disability ($)	($)
Base Salary	$ 900,000	$1,800,000	$1,800,000	$ 0	$ 0	$ 0
Bonus[2]	0	1,530,000	2,433,618	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	1,590,854	1,590,854	4,345,330	4,345,330	4,345,330	1,590,854
Benefits and Perquisites[4]	91,923	100,098	100,098	1,875,573	529,661	75,573
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$2,582,777	$5,020,952	$8,679,046	$6,220,903	$4,874,991	$1,666,427

Charles C. McGuigan

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control			Voluntary Resignation/ Retirement
	w/out Release ($)	& Signed Release ($)	($)	Death ($)[5]	Disability ($)	($)
Base Salary	$1,300,000	$2,600,000	$ 2,600,000	$ 0	$ 0	$ 0
Bonus[2]	0	2,210,000	3,515,226	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	2,144,769	2,144,769	5,712,984	5,712,984	5,712,984	2,144,769
Benefits and Perquisites[4]	124,420	130,668	130,668	2,111,924	665,048	111,924
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$3,569,189	$7,085,437	$11,958,878	$7,824,908	$6,378,032	$2,256,693

James L. Bersani

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control ($)	Death ($)[5]	Disability ($)	Voluntary Resignation/ Retirement ($)
	w/out Release ($)	& Signed Release ($)				
Base Salary	$ 770,000	$1,540,000	$1,540,000	$ 0	$ 0	$ 0
Bonus[2]	0	1,001,000	1,574,823	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	1,168,563	1,168,563	3,555,455	3,555,455	3,555,455	1,168,563
Benefits and Perquisites[4]	62,178	68,426	68,426	2,049,682	470,306	49,682
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$2,000,741	$3,777,989	$6,738,704	$5,605,137	$4,025,761	$1,218,245

Shelley M. Milano

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control ($)	Death ($)[5]	Disability ($)	Voluntary Resignation/ Retirement ($)[6]
	w/out Release ($)	& Signed Release ($)				
Base Salary	$900,000	$1,800,000	$1,800,000	$ 0	$ 0	$ 0
Bonus[2]	0	1,080,000	1,349,914	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	0	759,413	2,360,421	2,360,421	2,360,421	0
Benefits and Perquisites[4]	16,053	64,724	64,724	1,373,719	504,732	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$916,053	$3,704,137	$5,575,059	$3,734,140	$2,865,153	$ 0

Nicholas P.M. Coe

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control ($)	Death ($)[5]	Disability ($)	Voluntary Resignation/ Retirement ($)
	w/out Release ($)	& Signed Release ($)				
Base Salary	$1,130,000	$2,260,000	$ 2,260,000	$ 0	$ 0	$ 0
Bonus[2]	0	2,034,000	6,590,124	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	1,725,464	1,725,464	4,380,028	4,380,028	4,380,028	1,725,464
Benefits and Perquisites[4]	217,549	225,787	225,787	2,201,074	712,693	201,074
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$3,073,013	$6,245,251	$13,455,939	$6,581,102	$5,092,721	$1,926,538

Martin P. Waters

	Involuntary Without Cause or Voluntary With Good Reason		Involuntary Without Cause following Change in Control			Voluntary
	w/out Release ($)	& Signed Release ($)	($)	Death ($)[5]	Disability ($)	Resignation/ Retirement ($)[6]
Base Salary	$925,000	$1,850,000	$1,850,000	$ 0	$ 0	$ 0
Bonus[2]	0	1,572,500	3,430,022	0	0	0
Gain of Accelerated Stock Options[3]	0	0	0	0	0	0
Value of Pro-rated or Accelerated RSUs[3]	0	1,498,816	3,827,526	3,827,526	3,827,526	0
Benefits and Perquisites[4]	16,350	108,912	108,912	1,884,387	544,725	0
Tax Gross-Up	N/A	N/A	N/A	N/A	N/A	N/A
Total	$941,350	$5,030,228	$9,216,460	$5,711,913	$4,372,251	$ 0

(1) Assumes a termination date of February 2, 2019.

(2) Bonus amounts assumed at target. Under ''Involuntary without Cause or Voluntary with Good Reason'' termination scenarios, actual bonus payments would be equal to the bonus payment the NEO would have received if he or she had remained employed with the Company for a period of one year after the termination date of February 2, 2019. Under an ''Involuntary Without Cause following Change in Control'' termination scenario, bonus payments will be equal to the sum of the last four seasonal bonus payments received.

(3) Reflects the value of unvested RSUs and stock options that, subject to achievement of pre-established performance conditions, if applicable, would become vested based on the $27.15 fair market value of a share of Common Stock on the last trading day of the fiscal year (February 1, 2019).

(4) Estimates for benefits and perquisites include the pro rata value of retirement plan contributions on earnings accrued up to the termination date and the continuation of medical, dental and other insurance benefits. Under the ''Death'' and ''Disability'' scenarios, includes proceeds from life and disability insurance policies and the value of unvested retirement plan balances that would become vested.

(5) Generally, in the event of an NEO's death, subject to the achievement of any underlying performance conditions, any time-vesting conditions are deemed satisfied. Upon death, any outstanding RSUs held by Mr. Wexner vest in full without regard to performance. RSUs awarded to our other NEOs continue to be subject to continued vesting based on performance (except for RSUs granted to Mr. Bersani and Ms. Milano, for whom there are no performance conditions attached to the RSU grants awarded in March or April of 2018).

(6) Executive officers Milano and Waters have not met the age and/or service requirement to qualify for pro rata RSU vesting and retirement plan contributions under the retirement provisions of the 2011 Plan, the 2015 Plan and the qualified and non-qualified retirement plans.

Assumptions and Explanations of Numbers in Tables

The Compensation Committee retains discretion to provide, and in the past has provided, additional benefits to NEOs upon termination or resignation if it determines the circumstances so warrant.

The tables do not include the payment of the aggregate balance of the NEO's non-qualified deferred compensation that is disclosed in the Non-qualified Deferred Compensation for Fiscal 2017 table above.

Confidentiality, Non-Competition and Non-Solicitation Agreements

As a condition to each NEO's entitlement to receive certain severance payments and equity vesting acceleration upon certain termination scenarios, the NEO is required to execute a release of claims against us and shall be bound by the terms of certain restrictive covenants, including non-competition and non-solicitation agreements which prohibit the NEO from soliciting or diverting any current or potential employee, customer, or supplier or competing with any of our businesses in which he or she has been employed for a period of one year from the date of termination.

Termination Provisions—Definitions of Cause and Good Reason

The agreements for all NEOs other than Mr. Wexner, who does not have an agreement, contain customary definitions of cause and good reason. ''Cause'' generally means that the NEO (1) willfully failed to perform his or her duties with the Company (other than a failure resulting from the NEO's incapacity due to physical or mental illness); (2) has plead ''guilty'' or ''no contest'' to or has been convicted of an act which is defined as a felony under federal or state law; or (3) engaged in willful misconduct in bad faith which could reasonably be expected to materially harm the Company's business or its reputation.

''Good Reason'' generally means (1) the NEO's failure to continue in a capacity originally contemplated in the NEO's agreement; (2) the assignment to the NEO of any duties materially inconsistent with the NEO's position, duties, authority, responsibilities or reporting requirements, as set out in his or her agreement; (3) a material reduction of or a delay in payment

of the NEO's total cash compensation and benefits from those required to be provided; (4) the requirement that the NEO be based outside of the United States, other than for travel that is reasonably required to carry out the NEO's duties; or (5) the failure by the Company to obtain the assumption in writing of its obligation to perform the agreement by a successor.

Payments Upon a Termination in Connection with a Change in Control

A ''Change in Control'' of the Company will be deemed to have occurred upon the first of any of the following events to occur:

(a) any person, together with all affiliates, becomes a beneficial owner of securities representing 33% or more of the combined voting power of the voting stock then outstanding;

(b) during any period of 24 consecutive months, individuals who at the beginning of such period constitute the Board cease for any reason to constitute a majority of directors then constituting the Board;

(c) a reorganization, merger or consolidation of the Company is consummated, unless more than 50% of the outstanding shares of Common Stock are beneficially owned by individuals and entities who owned Common Stock just prior to such reorganization, merger or consolidation; or

(d) the consummation of a complete liquidation or dissolution of the Company.

Participants in the 2015 Plan receive accelerated vesting of equity awards upon a Change in Control in the event of the participant's termination of employment (other than for Cause) within 24 months of the Change in Control (''double trigger'' vesting).

No Tax Gross-up

In the event of a termination following a Change in Control, none of our NEOs are entitled to reimbursement or gross-up for any excise taxes that may be imposed under Section 280G of the Code.

Fiscal 2018 Director Compensation

The following table sets forth compensation earned by the individuals who served as directors of the Company during fiscal 2018[1].

Name	Fees Earned or Paid in Cash($)[2]	Stock Awards($)[3]	Total ($)
Patricia S. Bellinger[4]	$119,125	$111,913	$231,038
E. Gordon Gee	134,400	134,422	268,822
Dennis S. Hersch	121,900	121,926	243,826
Donna A. James	164,400	144,435	308,835
David T. Kollat	171,900	156,931	328,831
Michael G. Morris	124,400	124,410	248,810
Robert H. Schottenstein[4]	120,932	111,913	232,845
Stephen D. Steinour	111,900	111,913	223,813
Allan R. Tessler	194,400	169,427	363,827
Abigail S. Wexner	141,900	131,939	273,839
Raymond Zimmerman	134,400	134,422	268,822

(1) Directors who are also associates receive no additional compensation for their service as directors. Our current Board's compensation plan does not provide for stock option awards, non-equity incentive plan compensation, pension or non-qualified deferred compensation. At the end of four years of membership on the Board, each member must maintain ownership of Common Stock equal to the amount of Common Stock received as director compensation over the four-year period.

(2) Directors receive an annual cash retainer of $111,900; directors receive an additional annual cash retainer of $12,500 for membership on the Audit and Compensation Committees and $10,000 for all other committee memberships; the Audit Committee Chair receives an additional $20,000; the Compensation Committee Chair and the Nominating & Governance Committee Chair each receives an additional $15,000; and other committee chairs receive $10,000; and the lead independent director receives an additional cash retainer of $15,000.

(3) Directors receive an annual stock retainer worth $111,900; directors receive an additional annual stock grant worth $12,500 for membership on the Audit and Compensation Committees and worth $10,000 for other committee memberships; and the lead independent director receives an additional stock retainer of $15,000. Stock retainers were granted under the 2015 Plan. The number of shares issued is calculated based on the fair market value of Common Stock on the date the shares were issued. The value of stock awards reflects the aggregate grant date fair value, excluding estimated forfeitures, computed in accordance with ASC Topic 718 Compensation—Stock Compensation, for each award. See Note 21 to the Company's financial statements filed in the 2018 10-K for a discussion of our assumptions in determining the aggregate grant date fair value of these awards.

(4) Compensation for Ms. Bellinger and Mr. Schottenstein reflects pro-rated payment for Committee membership. Ms. Bellinger joined the Inclusion Committee and Mr. Schottenstein joined the Audit Committee effective May 16, 2018.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board is composed of three directors who are independent, as defined under the NYSE listing standards. Additionally, each member of the Compensation Committee is a ''non-employee director'' within the meaning of Section 16b-3 under the Securities Exchange Act of 1934. The Compensation Committee reviews the CD&A on behalf of the Board.

The Compensation Committee has reviewed and discussed the CD&A with management, and based on the review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in the Company's annual report on Form 10-K for the year ended February 2, 2019 and the Company's proxy statement.

We are committed to aligning our executive compensation with our Company's performance. Over the last several years, the Company implemented a series of initiatives designed to better position several of our businesses for the future. The short-term effects of some of these initiatives have not produced the results that are expected. In response, the Compensation Committee reduced our CEO's target and actual compensation each year since 2016. These actions by the Compensation Committee (summarized below), resulted in CEO compensation that decreased 83% from fiscal 2015 to fiscal 2018 while total shareholder return decreased 66% during this same period.

The Board reviews the Company's short- and long-term strategy with our CEO and management team regularly. As we have done in the past, we will continue to calibrate our CEO's compensation to the results of the business, and to the returns of our stakeholders.

2017 Compensation Actions

- Did not grant a Fall 2017 long-term performance-based equity incentive award. As a result, CEO long-term performance-based equity awards for fiscal 2017 were 70% ($3.5 million) below target.
- Exercised negative discretion to eliminate the Fall season short-term incentive payout, resulting in a total 2017 payout that was 75% ($3.3 million) below target.
- As a result of these actions, CEO compensation was 60% ($6.8 million) below the reduced target for fiscal 2017.
- **CEO total compensation decreased by 61% ($9.1 million) from fiscal 2016 to fiscal 2017, while total shareholder return decreased by 15% during the same period.**

2018 Compensation Actions

The Compensation Committee adjusted Mr. Wexner's target compensation for fiscal 2018 to reduce the amount of fixed compensation and put greater emphasis on performance-based compensation:

- Adjusted base salary from $2 million to $1 million, a reduction of 50% or $1 million.
- Reduced the short-term performance-based incentive compensation target from $4.4 million to $1.5 million, a reduction of 66% or $2.9 million.
- Adjusted the pay mix, increasing the weighting of long-term performance-based incentive compensation from 44% to 72% of total direct compensation.
- Decreased total direct compensation at target from $11.4 million to $9.0 million, a reduction of 21% or $2.4 million.
- **Actual direct CEO compensation for fiscal 2018 was $3.9 million or 57% ($5.1 million) below the reduced target.**
- **Over the three-year period from fiscal 2015 to fiscal 2018, CEO compensation decreased 83% while total shareholder return decreased 66%.**

2019 Compensation Actions

The Compensation Committee further adjusted Mr. Wexner's target compensation for fiscal 2019 by reducing the amount of fixed compensation and long-term performance-based incentive compensation at target:

- Reduced base salary from $1 million to $900,000, a reduction of 10%.
- Reduced long-term performance-based incentive compensation target from $6.5 million to $5.1 million.
- **Decreased total direct compensation at target from $9.0 million to $7.5 million, a reduction of 17% or $1.5 million.**

With these actions to reduce CEO pay, Mr. Wexner's total compensation for fiscal 2018 was $4.6 million, which is well below the median of our peers. In addition, 2019 target pay is 39% below the median. In summary, there is alignment between our performance, our stockholders' interests and our CEO's pay. Accordingly, we recommend stockholders vote FOR the executive compensation program as outlined in Proposal 3.

Compensation Committee

David T, Kollat, Chair
E. Gordon Gee
Michael G. Morris

2018 PAY RATIO DISCLOSURE

Pay Ratio

In accordance with the requirements of Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K (which we collectively refer to as the ''Pay Ratio Rule''), we are providing the following estimated information for 2018:

- the median of the annual total compensation of all our employees (except our CEO) was $14,186;
- the annual total compensation of our CEO was $4,553,310; and
- the ratio of these two amounts is 321 to 1. We believe that this ratio is calculated in a manner consistent with the requirements of the Pay Ratio Rule.

Methodology for Identifying Our ''Median Employee''

Identifying and Adjusting our Employee Population

To identify the median of the annual total compensation of all of our employees (other than our Chief Executive Officer), we identified our total employee population as of February 2, 2019, the last day in our fiscal year. Our employee population consisted of full-time, part-time, seasonal and temporary employees globally.

Determining our Median Employee

To identify our median employee, we calculated the cash compensation paid during the fiscal year for the employee population, annualizing the cash compensation of any permanent employee who joined the Company during the year. We identified the median compensation amount using this compensation measure which was consistently applied to all our employees in the calculation. We then selected a reasonably representative employee with total compensation equal to the median compensation amount as our ''median employee''.

Using the methodologies described above, we determined that our median employee was a part-time, hourly employee. The total compensation of the median employee was $14,186.

Determination of Annual Total Compensation of our Median Employee and our CEO

Once we identified our median employee, we then calculated such employee's annual total compensation for 2018 using the same methodology we used for purposes of determining the annual compensation of our NEOs for 2018.

Our CEO's annual total compensation for 2018 for purposes of the Pay Ratio Rule is equal to the amount reported in the ''Total'' column in the 2018 Summary Compensation Table.

SEC rules for identifying the median employee and calculating the pay ratio allow companies to apply various methodologies and apply various assumptions and, as a result, the pay ratio reported by us may not be comparable to the pay ratio reported by other companies. Our median employee worked approximately 16 hours per week during fiscal 2018. If the total compensation per hour earned by the median employee was extrapolated to full-time employment, median compensation would be approximately $35,450 and the ratio would be 128 to 1.

SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

The following table shows certain information about the securities ownership of all directors (and nominees) of the Company, the executive officers of the Company named in the "2018 Summary Compensation Table" above and all directors and executive officers of the Company as a group.

Name of Beneficial Owner	Number of Shares of Common Stock Beneficially Owned(a)(b)	Percent of Class
Patricia S. Bellinger	6,309[(d)]	*
James Bersani	191,557[(c)(e)]	*
Stuart B. Burgdoerfer	128,745[(c)]	*
Nicholas P. M. Coe	106,312[(c)]	*
E. Gordon Gee	18,248[(d)]	*
Dennis S. Hersch	13,559,220[(d)(f)]	4.93%
Donna A. James	57,689[(d)]	*
David T. Kollat	162,859	*
Charles C. McGuigan	243,026[(c)(h)]	*
Shelley B. Milano	24,959[(c)]	*
Michael G. Morris	20,595[(d)]	*
Sarah E. Nash	0	—
Robert H. Schottenstein	10,809[(d)(k)]	*
Anne Sheehan	0	—
Stephen D. Steinour	14,165[(d)]	*
Allan R. Tessler	110,438	*
Martin P. Waters	307,644[(c)(e)]	*
Abigail S. Wexner	14,552,571[(g)]	5.29%
Leslie H. Wexner	47,741,096[(c)(h)(i)]	17.35%
Raymond Zimmerman	150,623[(d)(j)]	*
All directors and executive officers as a group	49,389,482[(c)-(j)]	17.95%

* Less than 1%

(a) Unless otherwise indicated, each named person has voting and investment power over the listed shares and such voting and investment power is exercised solely by the named person or shared with a spouse. None of the listed shares have been pledged as security or otherwise deposited as collateral.

(b) Reflects beneficial ownership of shares of Common Stock, and shares outstanding, as of February 2, 2019.

(c) Includes the following number of shares issuable within 60 days of February 2, 2019, upon the exercise or vesting of outstanding stock awards: Mr. Bersani, 95,128; Mr. Burgdoerfer, 92,611; Mr. Coe, 68,378; Mr. McGuigan, 121,655; Ms. Milano, 24,959; Mr. Waters, 83,288; Mr. Wexner, 576,028; and all directors and executive officers as a group, 1,062,047.

(d) Includes the following number of deferred stock units credited to directors' accounts under the 2003 Stock Award and Deferred Compensation Plan for Non-Associate Directors that could be convertible into Common Stock within 60 days after termination from the Board: Ms. Bellinger, 6,309; Dr. Gee, 17,292; Mr. Hersch, 88,726; Ms. James, 35,951; Mr. Morris, 10,485; Mr. Schottenstein, 6,309; Mr. Steinour, 4,165; Mr. Zimmerman, 108,712; and all directors as a group, 277,949. Mr. Morris has elected to receive pay-out of his deferred stock units over three years, and his total represents 1/3 of the units which he would be owed upon his termination from the Board. Mr. Steinour has elected to receive pay-out of his deferred stock units over five years, and his total represents 1/5 of the units which he would be owed upon his termination from the Board.

(e) Includes the following number of deferred stock units credited to executives' accounts under the Company's Stock Option and Performance Incentive Plan that could be convertible into Common Stock within 60 days after termination of employment with the Company: Mr. Bersani, 8,092; Mr. Waters, 27,376; and all executives as a group, 35,468.

(f) Includes 127,567 shares held by The Linden East Trust, for which Mr. Hersch is trustee and shares voting and investment power with Mr. Wexner and Mrs. Wexner; 8,483,845 shares held by The Linden West Trust, for which Mr. Hersch is trustee and shares voting and investment power with Mr. Wexner; and 4,853,400 shares held by the Magnolia 2017 Trust, for which Mr. Hersch is trustee and shares voting and investment power with Mr. Wexner and Mrs. Wexner.

(g) Excludes 33,188,525 shares beneficially owned by Mr. Wexner as to which Mrs. Wexner disclaims beneficial ownership. Includes 127,567 shares held by The Linden East Trust; 3,081,741 shares held by The Wexner Family Charitable Fund; 191,515 shares held by The Beech Trust; and 4,853,400 shares held by the Magnolia 2017 Trust. Mrs. Wexner shares voting and investment power with Mr. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund, The Beech Trust and the Magnolia 2017 Trust, and shares voting and investment power with Mr. Hersch with respect to shares held by The Linden East Trust and the Magnolia 2017 Trust. Includes 6,298,348 shares directly owned by Mrs. Wexner.

(h) Includes the following number of shares held in the Savings and Retirement Plan (as of February 2, 2019), over which Messrs. McGuigan and Wexner have investment but not voting power: Mr. McGuigan, 4,874; and Mr. Wexner, 1,890,961.

(i) Includes 127,567 shares held by The Linden East Trust; 8,483,845 shares held by The Linden West Trust; 3,081,741 shares held by The Wexner Family Charitable Fund; 191,515 shares held by The Beech Trust; and 4,853,400 shares held by the Magnolia 2017 Trust. Mr. Wexner shares voting and investment power with Mrs. Wexner with respect to shares held by The Linden East Trust, The Wexner Family Charitable Fund, The Beech Trust and the Magnolia 2017 Trust, and shares voting and investment power with Mr. Hersch with respect to shares held by The Linden East Trust, The Linden West Trust and the Magnolia 2017 Trust. Includes 4,892,608 shares held by the Wexner Personal Holdings Corporation, of which Mr. Wexner is the sole stockholder, director and officer. Includes 6,298,348 shares directly owned by Mrs. Wexner, as to which Mr. Wexner may be deemed to share voting and investment power. Includes 17,345,083 shares directly owned by Mr. Wexner.

(j) Includes 3,440 shares which are Mr. Zimmerman's pro rata share of 10,321 shares owned by a corporation of which Mr. Zimmerman is president and a 33% stockholder.

(k) Includes 2,500 shares held by the Frances Schottenstein 2010 Irrevocable Trust, for which Mr. Schottenstein is co-trustee and shares voting and investment power; and 2,000 shares held by the Irving Schottenstein Marital Trust 2, for which Mr. Schottenstein is co-trustee and has sole voting and investment power. Mr. Schottenstein has a financial interest in 500 of the foregoing shares held by the Irving Schottenstein Marital Trust 2.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

The Company's executive officers and directors, and persons who own more than 10% of a registered class of the Company's equity securities, must file reports of ownership and changes in ownership of the Company's equity securities with the Commission. Copies of those reports must also be furnished to the Company. Based solely on a review of the copies of reports furnished to the Company and written representations of the Company's executive officers and directors that no other reports were required, we believe that during fiscal 2018 our executive officers, directors and greater than 10% beneficial owners complied with these filing requirements, other than Mr. Bersani who was late in filing one Form 4 reporting one transaction.

SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS

The following table sets forth the names of all persons who, as of the dates indicated below, were known by the Company to be the beneficial owners (as defined in the rules of the Commission) of more than 5% of the shares of Common Stock.

Name and Address of Beneficial Owner	Amount Beneficially Owned	Percent of Class
Leslie H. Wexner[(1)] Three Limited Parkway P.O. Box 16000 Columbus, OH 43216	47,741,096	17.35%
The Vanguard Group[(2)] 100 Vanguard Blvd. Malvern, PA 19355	25,066,401	9.11%
BlackRock, Inc.[(3)] 55 East 52nd Street New York, NY 10055	21,445,945	7.80%
PRIMECAP Management Company[(4)] 177 E. Colorado Blvd., 11th Floor Pasadena, CA 91105	19,266,010	7.00%

(1) As of February 2, 2019. For a description of Mr. Wexner's beneficial ownership, see "Security Ownership of Directors and Management" on page 51.

(2) As of December 31, 2018, based solely on information set forth in the Schedule 13G/A filed February 11, 2019 by The Vanguard Group, The Vanguard Group has sole dispositive power over 24,733,918 shares and sole voting power over 272,065 shares, and has shared dispositive power over 332,483 shares and shared voting power over 68,918 shares.

(3) As of December 31, 2018, based solely on information set forth in the Schedule 13G/A filed February 6, 2019 by BlackRock, Inc., BlackRock, Inc. has sole dispositive power over 21,445,945 shares and sole voting power over 19,488,773 shares.

(4) As of December 31, 2018, based solely on information set forth in the Schedule 13G/A filed February 8, 2019 by PRIMECAP Management Company, PRIMECAP Management Company has sole dispositive power over 19,266,010 shares and sole voting power over 4,848,424 shares.

REPORT OF THE AUDIT COMMITTEE

As provided in our written charter, the Audit Committee is instrumental in the Board's fulfillment of its oversight responsibilities relating to (i) the integrity of the Company's financial statements, (ii) the Company's compliance with legal and regulatory requirements, (iii) the qualifications, independence and performance of the Company's independent auditors and (iv) the performance of the Company's internal audit function.

It is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditors. Furthermore, while we are responsible for reviewing the Company's policies and practices with respect to risk assessment and management, it is the responsibility of the CEO and senior management to determine the appropriate level of the Company's exposure to risk.

We have reviewed and discussed L Brands' audited financial statements as of and for the year ended February 2, 2019 and met with both management and our independent auditors to discuss the financial statements. Management has represented to us that the financial statements were prepared in accordance with generally accepted accounting principles. We have reviewed with the internal auditors and independent auditors the overall scope and plans for their respective audits. We also met with the internal auditors and independent auditors, with and without management present, to discuss the results of their examinations and their evaluations of the Company's internal controls.

We have also discussed with the independent auditors all matters required to be discussed with audit committees under applicable auditing and regulatory standards. The Company's independent auditors also provided to us the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the audit committee concerning independence, and we discussed with the independent auditors their independence from the Company. We considered whether the provision of non-audit services by the independent auditors to the Company is compatible with maintaining their independence.

Based on the reviews and discussions summarized in this Report, and subject to the limitations on our role and responsibilities, certain of which are referred to above and in the Audit Committee charter, we recommended to the Board that L Brands' audited financial statements be included in our annual report on Form 10-K for the year ended February 2, 2019 for filing with the Commission.

We have appointed Ernst & Young LLP as L Brands' independent registered public accountants.

Audit Committee

Donna A. James, Chair
David T. Kollat
Robert H. Schottenstein
Allan R. Tessler
Raymond Zimmerman

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

During our 2018 fiscal year, Ernst & Young LLP served as the Company's independent registered public accountants and in that capacity rendered an opinion on our consolidated financial statements as of and for the fiscal year ended February 2, 2019. The Audit Committee has selected Ernst & Young LLP as the Company's independent registered public accountants for the current fiscal year.

Audit Fees

The aggregate audit fees payable to Ernst & Young LLP for the fiscal years ended 2018 and 2017 were approximately $5,611,000 and $5,048,000, respectively. These amounts include fees for professional services rendered by Ernst & Young LLP in connection with the audit of our consolidated financial statements and reviews of our unaudited consolidated interim financial statements as well as fees for services that generally only the independent auditor can reasonably be expected to provide, including comfort letters and consultation regarding financial accounting and/or reporting standards. These amounts also include fees for services rendered in connection with the audit of our internal control over financial reporting and fees for services rendered in connection with statutory audits of our international subsidiaries' financial statements.

Audit Related Fees

The aggregate fees for assurance and related services rendered by Ernst & Young LLP that were reasonably related to the audit of our consolidated financial statements for the fiscal years ended 2018 and 2017 were approximately $304,000 and $288,000, respectively. The fees under this category are for assurance and related services that are traditionally performed by the independent auditor and include audits of employee benefit plans, agreed upon procedures and other attest engagements.

Tax Fees

The aggregate fees for tax services rendered by Ernst & Young LLP for the fiscal years ended 2018 and 2017 were approximately $138,000 and $338,000, respectively. Tax fees include tax compliance and advisory services.

All Other Fees

No fees for other services were paid to Ernst & Young LLP for the fiscal years ended 2018 and 2017.

Pre-approval Policies and Procedures

The Audit Committee pre-approves all audit and non-audit services to be provided by Ernst & Young LLP in a given fiscal year.

OTHER MATTERS

The Board knows of no other matters to be brought before the annual meeting. However, if other matters should come before the meeting, each of the persons named as a proxy intends to vote in accordance with his or her judgment on such matters.

STOCKHOLDER AND MANAGEMENT PROPOSALS FOR NEXT YEAR

Stockholder Proposals Pursuant to Rule 14a-8

Proposals submitted for inclusion in the proxy statement for the 2020 annual meeting must be received by the Secretary of the Company at our principal executive offices on or before December 28, 2019.

Stockholder Director Nominations for Inclusion in 2020 Proxy Statement

Written notice of stockholder nominations of persons for election as a director at the 2020 annual meeting that are to be included in our proxy statement for the 2020 annual meeting pursuant to the proxy access provisions in Section 2.05 of our Bylaws must be received by the Secretary of the Company at our principal executive offices no earlier than November 28, 2019 and no later than December 28, 2019. The notice must contain the information required by our Bylaws.

Other Stockholder Proposals

If a stockholder intends to present a proposal or nominate a person for election as a director at the 2020 annual meeting other than as described above, the stockholder must comply with the requirements set forth in Section 2.04 of our Bylaws. The Bylaws require, among other things, that the Secretary receive written notice of the intent to present a proposal or nomination no earlier than February 16, 2020 and no later than March 17, 2020. The notice must contain the information required by our Bylaws.

Management Proposals

At the 2020 annual meeting, the Board will submit a proposal to stockholders to amend our certificate of incorporation to declassify the Board. If such proposal is approved by our stockholders, all of our directors will stand for election annually for one-year terms beginning at the Company's 2021 annual meeting. The Board will also submit a proposal to stockholders to amend our certificate of incorporation to remove supermajority voting requirements.

SOLICITATION EXPENSES

We are soliciting this proxy on behalf of our Board and will bear the solicitation expenses. Our directors or employees may solicit proxies by telephone, facsimile, email and personal solicitation, in addition to the use of the mail. In addition, we have retained Innisfree M&A Incorporated at a fee estimated to be approximately $25,000, plus reimbursable expenses and customary charges, to assist in the solicitation of proxies. We will, upon request, reimburse banks, brokerage houses and other institutions, nominees, and fiduciaries for their expenses in forwarding proxy materials to beneficial owners.

By Order of the Board of Directors,

Leslie H. Wexner
Chairman of the Board

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended February 2, 2019

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]**

For the transition period from to
Commission file number 1-8344

L BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**31-1029810** **(I.R.S. Employer Identification No.)**
Three Limited Parkway, Columbus, Ohio **(Address of principal executive offices)**	**43230** **(Zip Code)**

Registrant's telephone number, including area code (614) 415-7000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.50 Par Value	**The New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was: $7,461,100,982.

Number of shares outstanding of the registrant's Common Stock as of March 15, 2019: 275,196,908.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the Registrant's 2019 Annual Meeting of Stockholders are incorporated by reference into Part III.

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PART I

ITEM 1. BUSINESS.

General

L Brands, Inc. (“we” or “the Company”) operates in the highly competitive specialty retail business. Founded in 1963 in Columbus, Ohio, we have evolved from an apparel-based specialty retailer to a segment leader focused on women’s intimate and other apparel, personal care, beauty and home fragrance products. We sell our merchandise through company-owned specialty retail stores in the United States (“U.S.”), Canada, the United Kingdom ("U.K."), Ireland and Greater China (China and Hong Kong); through websites; and through international franchise, license and wholesale partners (collectively, "partners").

Victoria’s Secret

Victoria’s Secret, including PINK, is a specialty retailer of women's intimate and other apparel with fashion-inspired collections and prestige fragrances. We sell our Victoria’s Secret products online and at more than 1,200 Victoria’s Secret and PINK company-owned stores in the U.S., Canada, U.K., Ireland and Greater China. Additionally, Victoria’s Secret and PINK have more than 430 stores in more than 70 countries operating under franchise, license and wholesale arrangements.

Bath & Body Works

Bath & Body Works, which sells products under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names, is one of the leading specialty retailers of body care, home fragrance products, soaps and sanitizers. We sell our Bath & Body Works products online and at more than 1,700 Bath & Body Works company-owned stores in the U.S. and Canada. Additionally, Bath & Body Works has more than 230 stores in more than 30 other countries operating under franchise, license and wholesale arrangements.

Divestiture and Closure

La Senza

On January 6, 2019, we completed the sale of the La Senza business to an affiliate of Regent LP, a global private equity firm. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Henri Bendel

In January 2019, we closed all of our Henri Bendel stores and the e-commerce website. For additional information, see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Acquisition

Greater China

In April 2016, we reacquired the franchise rights to operate Victoria's Secret Beauty and Accessories stores in Greater China, including 26 stores already open at the time of acquisition. For additional information, see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Fiscal Year

Our fiscal year ends on the Saturday nearest to January 31. As used herein, “2018”, “2016,” “2015” and “2014” refer to the 52-week periods ended February 2, 2019, January 28, 2017, January 30, 2016 and January 31, 2015, respectively. "2017" refers to the 53-week period ended February 3, 2018.

Real Estate

Company-owned Retail Stores

Our company-owned retail stores are located in shopping malls, lifestyle centers and street locations in the U.S., Canada, U.K., Ireland and Greater China. As a result of our strong brands and established retail presence, we have been able to lease high-traffic locations in most retail centers in which we operate.

The following table provides the number of our company-owned retail stores in operation for each brand as of February 2, 2019 and February 3, 2018.

	February 2, 2019	February 3, 2018
Victoria’s Secret U.S.	1,098	1,124
Victoria’s Secret Canada	45	46
Bath & Body Works U.S.	1,619	1,592
Bath & Body Works Canada	102	102
Victoria's Secret U.K. / Ireland	26	24
Victoria's Secret China	15	7
Victoria's Secret Beauty and Accessories China	38	29
La Senza U.S.	—	5
La Senza Canada	—	119
Henri Bendel	—	27
Total	2,943	3,075

The following table provides the changes in the number of our company-owned retail stores operated for the past five fiscal years:

	Beginning of Year	Opened	Closed	Acquired (a)	Sold (b)	End of Year
2018	3,075	88	(90)	—	(130)	2,943
2017	3,074	66	(65)	—	—	3,075
2016	3,005	72	(29)	26	—	3,074
2015	2,969	72	(36)	—	—	3,005
2014	2,923	81	(35)	—	—	2,969

(a) Relates to the acquisition of Victoria's Secret Beauty and Accessories franchise stores in Greater China. For additional information see Note 5 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(b) Relates to the sale of the La Senza business. For additional information see Note 6 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Franchise, License and Wholesale Arrangements

In addition to our company-owned stores, our products are sold at hundreds of partner locations in more than 70 countries. Under these arrangements, third parties operate stores that sell our products under our brand names. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner. We continue to increase the number of locations under these types of arrangements as part of our international expansion.

The following table provides the number of our international stores operated by our partners for each business as of February 2, 2019 and February 3, 2018.

	February 2, 2019	February 3, 2018
Victoria’s Secret Beauty and Accessories	383	397
Victoria’s Secret	56	37
Bath & Body Works	235	185
La Senza	—	194
Total	674	813

Our Strengths

We believe the following competitive strengths contribute to our leading market position, differentiate us from our competitors and will drive future growth:

Industry Leading Brands

We have developed and operate brands that have come to represent an aspirational lifestyle. Our brands allow us to target markets across the economic spectrum, across demographics and across the world. We believe that our three brands, Victoria's Secret, PINK and Bath & Body Works, are highly recognizable, which provides us with a competitive advantage.

- At Victoria's Secret, we market glamorous and sexy product lines to our customers. While bras and panties are the core of what we do, this brand also gives our customers choices in beauty products, fragrances, sleepwear, loungewear, athletic attire and personal care accessories.
- At PINK, we market products to the college-aged woman. While bras and panties are the core of what we do, this brand also gives our customers choices in apparel, loungewear, athletic attire and accessories.
- Bath & Body Works caters to our customers' entire well-being, providing shower gels and lotions, aromatherapy, home fragrance, soaps and sanitizers and body care accessories.

In-Store Experience and Store Operations

We view our customers' in-store experience as an important vehicle for communicating the image of each brand. We utilize visual presentation of merchandise, in-store marketing, music and our sales associates to reinforce the image represented by the brands.

Our in-store marketing is designed to convey the principal elements and personality of each brand. The store design, furniture, fixtures and music are all carefully planned and coordinated to create a unique shopping experience. Every brand displays merchandise uniformly to ensure a consistent store experience, regardless of location. Store managers receive detailed plans designating fixture and merchandise placement to ensure coordinated execution of the company-wide merchandising strategy.

Our sales associates and managers are a central element in creating the atmosphere of the stores by providing a high level of customer service.

Digital Experience

In addition to our in-store experience, we strive to create a customer-centric digital platform that integrates the digital and physical brand experience. Our digital presence, including social media, our websites and our mobile applications, allows us to get to know our customers better and communicate with them anytime and anywhere.

Product Development, Sourcing and Logistics

We believe a large part of our success comes from frequent and innovative product launches, which include bra launches at Victoria's Secret and PINK and new fragrance and other product launches at Bath & Body Works. Our merchant, design and sourcing teams have a long history of bringing innovative products to our customers. Additionally, we believe that our sourcing and production function (Mast Global) has a long and deep presence in the key sourcing markets including those in the U.S. and Asia, which helps us partner with the best manufacturers to get high-quality products quickly.

Experienced and Committed Management Team

We were founded in 1963 and have been led since inception by Leslie H. Wexner. Our senior management team has a wealth of retail and business experience at L Brands, Inc. and other companies such as The Gap, Ralph Lauren, Tory Burch, Starbucks, Land's End, Levi Strauss, Boots, The Home Depot and Yum Brands. We believe that we have one of the most experienced management teams in retail.

Additional Information

Merchandise Vendors

During 2018, we purchased merchandise from approximately 340 vendors located throughout the world. No vendor provided 10% or more of our merchandise purchases.

Distribution and Merchandise Inventory

Most of our merchandise is shipped to our distribution centers in the Columbus, Ohio, area. We use a variety of shipping terms that result in the transfer of title of the merchandise at either the point of origin or point of destination.

Our policy is to maintain sufficient quantities of inventories on hand in our retail stores and distribution centers to enable us to offer customers an appropriate selection of current merchandise. We emphasize rapid turnover and take markdowns as required to keep merchandise fresh and current.

Information Systems

Our management information systems consist of a full range of retail, financial and merchandising systems. The systems include applications related to point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management, data security and support systems including human resources and finance.

Seasonal Business

Our operations are seasonal in nature and consist of two principal selling seasons: Spring (the first and second quarters) and Fall (the third and fourth quarters). The fourth quarter, including the holiday season, accounted for approximately one-third of our net sales for 2018, 2017 and 2016 and is typically our most profitable quarter. Accordingly, cash requirements are highest in the third quarter as our inventories build in advance of the holiday season.

Working Capital

We fund our business operations through a combination of available cash and cash equivalents and cash flows generated from operations. In addition, our credit facilities are available for additional working capital needs and investment opportunities.

Regulation

We and our products are subject to regulation by various federal, state, local and foreign regulatory authorities. We are subject to a variety of tax and customs regulations and international trade arrangements.

Trademarks and Patents

Our trademarks and patents, which constitute our primary intellectual property, have been registered or are the subject of pending applications in the United States Patent and Trademark Office and with the registries of many foreign countries and/or are protected by common law. We believe our products are identified by our intellectual property and, thus, our intellectual property is of significant value. Accordingly, we intend to maintain our intellectual property and related registrations and vigorously protect our intellectual property assets against infringement.

Segment Information

We have three reportable segments: Victoria’s Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International. For additional information, including the financial results of our reportable segments, see Note 22 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Other Information

For additional information about our business, including our net sales and profits for the last three years and selling square footage, see Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Competition

The sale of women's intimate and other apparel, home fragrance, personal care and beauty products and accessories through retail stores is a highly competitive business with numerous competitors, including individual and chain specialty stores, department stores and discount retailers. Brand image, marketing, design, price, service, assortment and quality are the principal competitive factors in retail store sales. Our online businesses compete with numerous online merchandisers. Image presentation, fulfillment and the factors affecting retail store sales discussed above are the principal competitive factors in online sales.

Associate Relations

As of February 2, 2019, we employed approximately 88,900 associates; 63,400 of whom were part-time. In addition, temporary associates are hired during peak periods, such as the holiday season.

Executive Officers of Registrant

Set forth below is certain information regarding our executive officers.

Leslie H. Wexner, 81, has been our Chief Executive Officer since our founding in 1963 and Chairman of the Board of Directors since 1975.

Stuart B. Burgdoerfer, 55, has been our Executive Vice President and Chief Financial Officer since April 2007.

Charles C. McGuigan, 62, has been our Chief Operating Officer since May 2012 and our Chief Executive Officer and President of Mast Global since February 2011.

Shelley B. Milano, 62, has been our Chief Human Resources Officer since April 2018.

James L. Bersani, 60, has been our President of Real Estate since March 2014 and has led our Real Estate function since April 2006.

Available Information

We are subject to the reporting requirements of the Exchange Act and its rules and regulations. The Exchange Act requires us to file reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). Copies of these reports, proxy statements and other information can be read and copied at:

SEC Public Reference Room
100 F Street NE
Washington, D.C. 20549

Information on the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains a website that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. These materials may be obtained electronically by accessing the SEC's website at *www.sec.gov*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available, free of charge, on our website at *www.lb.com*.

Copies of any of the above-referenced documents will also be made available, free of charge, upon written request to:

L Brands, Inc.
Investor Relations Department
Three Limited Parkway
Columbus, Ohio 43230

ITEM 1A. RISK FACTORS.

We caution that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this report or made by our company or our management involve risks and uncertainties and are subject to change based on various factors, many of which are beyond our control. Accordingly, our future performance and financial results may differ materially from those expressed or implied in any such forward-looking statements. Words such as “estimate,” “project,” “plan,” “believe,” “expect,” “anticipate,” “intend,” “planned,” “potential” and any similar expressions may identify forward-looking statements. Risks associated with the following factors, among others, in some cases have affected and in the future could affect our financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements included in this report or otherwise made by our company or our management:

- general economic conditions, consumer confidence, consumer spending patterns and market disruptions including severe weather conditions, natural disasters, health hazards, terrorist activities, financial crises, political crises or other major events, or the prospect of these events;
- the seasonality of our business;
- the dependence on mall traffic and the availability of suitable store locations on appropriate terms;
- our ability to grow through new store openings and existing store remodels and expansions;
- our ability to successfully expand internationally and related risks;
- our independent franchise, license and wholesale partners;
- our direct channel businesses;
- our ability to protect our reputation and our brand images;
- our ability to attract customers with marketing, advertising and promotional programs;
- our ability to protect our trade names, trademarks and patents;
- the highly competitive nature of the retail industry and the segments in which we operate;
- consumer acceptance of our products and our ability to manage the life cycle of our brands, keep up with fashion trends, develop new merchandise and launch new product lines successfully;
- our ability to source, distribute and sell goods and materials on a global basis, including risks related to:
    - political instability, significant health hazards, environmental hazards or natural disasters;
    - duties, taxes and other charges;
    - legal and regulatory matters;
    - volatility in currency exchange rates;
    - local business practices and political issues;
    - potential delays or disruptions in shipping and transportation and related pricing impacts;
    - disruption due to labor disputes; and
    - changing expectations regarding product safety due to new legislation;
- our geographic concentration of vendor and distribution facilities in central Ohio;
- fluctuations in foreign currency exchange rates;
- stock price volatility;
- our ability to pay dividends and related effects;
- our ability to maintain our credit rating;
- our ability to service or refinance our debt;
- shareholder activism matters;
- our ability to retain key personnel;
- our ability to attract, develop and retain qualified associates and manage labor-related costs;
- the ability of our vendors to deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations;

- fluctuations in product input costs;
- our ability to adequately protect our assets from loss and theft;
- fluctuations in energy costs;
- increases in the costs of mailing, paper and printing;
- claims arising from our self-insurance;
- liabilities arising from divested businesses;
- our ability to implement and maintain information technology systems and to protect associated data;
- our ability to maintain the security of customer, associate, third-party or company information;
- our ability to comply with regulatory requirements;
- legal and compliance matters; and
- tax, trade and other regulatory matters.

We are not under any obligation and do not intend to make publicly available any update or other revisions to any of the forward-looking statements contained in this report to reflect circumstances existing after the date of this report or to reflect the occurrence of future events even if experience or future events make it clear that any expected results expressed or implied by those forward-looking statements will not be realized.

The following discussion of risk factors contains "forward-looking statements." These risk factors may be important to understanding any statement in this Form 10-K, other filings or in any other discussions of our business. The following information should be read in conjunction with Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation and Item 8. Financial Statements and Supplementary Data.

In addition to the other information set forth in this report, the reader should carefully consider the following factors which could materially affect our business, financial condition or future results. The risks described below are not our only risks. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also adversely affect our business, operating results and/or financial condition in a material way.

Our net sales, profit results and cash flows are sensitive to, and may be affected by, general economic conditions, consumer confidence, spending patterns, weather or other market disruptions.

Our net sales, profit, cash flows and future growth may be affected by negative local, regional, national or international political or economic trends or developments that reduce the consumers' ability or willingness to spend, including the effects of national and international security concerns such as war, terrorism or the threat thereof. In addition, market disruptions due to natural disasters, health hazards or other major events or the prospect of these events could also impact consumer spending and confidence levels. Purchases of women's intimate and other apparel, beauty and personal care products and accessories often decline during periods when economic or market conditions are unsettled or weak. In such circumstances, we may increase the number of promotional sales, which could have a material adverse effect on our results of operations, financial condition and cash flows.

The decision by the U.K. to leave the European Union ("Brexit") has increased the uncertainty in the economic and political environment in Europe. The U.K.'s withdrawal is currently scheduled to take place in the first half of 2019, unless a further extension is agreed to; however, ongoing uncertainty remains as to what kind of post-Brexit agreement between the U.K. and the European Union, if any, may be approved by the U.K. parliament. Our business in the U.K. may be adversely impacted by this uncertainty, fluctuations in currency exchange rates, changes in trade policies, or changes in labor, immigration, tax or other laws.

Extreme weather conditions in the areas in which our stores are located, particularly in markets where we have multiple stores, could adversely affect our business. For example, heavy snowfall, rainfall or other extreme weather conditions over a prolonged period might make it difficult for our customers to travel to our stores and thereby reduce our sales and profitability.

Our net sales, operating income, cash and inventory levels fluctuate on a seasonal basis.

We experience major seasonal fluctuations in our net sales and operating income, with a significant portion of our operating income typically realized during the fourth quarter holiday season. Any decrease in sales or margins during this period could have a material adverse effect on our results of operations, financial condition and cash flows.

Seasonal fluctuations also affect our cash and inventory levels, since we usually order merchandise in advance of peak selling periods and sometimes before new fashion trends are confirmed by customer purchases. We must carry a significant amount of inventory, especially before the holiday season selling period. If we are not successful in selling inventory, we may have to sell the inventory at significantly reduced prices or may not be able to sell the inventory at all, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our net sales depend on a volume of traffic to our stores and the availability of suitable lease space.

Most of our stores are located in retail shopping areas including malls and other types of retail centers. Sales at these stores are derived, in part, from the volume of traffic in those retail areas. Our stores benefit from the ability of the retail center and other attractions in an area, including "destination" retail stores, to generate consumer traffic in the vicinity of our stores. Sales volume and retail traffic may be adversely affected by factors that we cannot control, such as economic downturns or changes in consumer demographics in a particular area, consumer trends away from brick-and-mortar retail toward online shopping, competition from internet and other retailers and other retail areas where we do not have stores, the closing or decline in popularity of other stores in the shopping areas where our stores are located and the deterioration in the financial condition of the operators or developers of the shopping areas in which our stores are located.

Part of our future growth is significantly dependent on our ability to operate stores in desirable locations with capital investment and lease costs providing the opportunity to earn a reasonable return. We cannot be sure as to when or whether such desirable locations will become available at reasonable costs. Some of our store locations, such as our Victoria's Secret flagship stores, require significant upfront capital investment and have material lease commitments. Additionally, we are dependent upon the suitability of the lease spaces that we currently use. The leases that we enter into are generally noncancelable leases with initial terms of 10 years. If we determine that it is no longer economical to operate a store and decide to close it, we may remain obligated under the applicable lease for, among other things, payment of the base rent for the balance of the lease term.

These risks could have a material adverse effect on our ability to grow and our results of operations, financial condition and cash flows.

Our ability to grow depends in part on new store openings and existing store remodels and expansions.

Our continued growth and success will depend in part on our ability to open and operate new stores and expand and remodel existing stores on a timely and profitable basis. Accomplishing our new and existing store expansion goals will depend upon a number of factors, including the ability to partner with developers and landlords to obtain suitable sites for new and expanded stores at acceptable costs, the hiring and training of qualified personnel and the integration of new stores into existing operations. There can be no assurance we will be able to achieve our store expansion goals, manage our growth effectively, successfully integrate the planned new stores into our operations or operate our new, remodeled and expanded stores profitably. These risks could have a material adverse effect on our ability to grow and results of operations, financial condition and cash flows.

Our plans for international expansion include risks that could impact our results and reputation.

We intend to further expand into international markets, including mainland China, through partner arrangements and/or company-owned stores. The risks associated with our expansion into international markets include difficulties in attracting customers due to a lack of customer familiarity with our brands, our lack of familiarity with local customer preferences and seasonal differences in the market. Any of these difficulties may lead to disruption in the overall timing of our international expansion efforts or increased costs. Further, entry into other markets may bring us into competition with new competitors or with existing competitors with an established market presence. Other risks include general economic conditions in specific countries or markets, volatility in the geopolitical landscape, restrictions on the repatriation of funds held internationally, disruptions or delays in shipments, changes in diplomatic and trade relationships, political instability and foreign governmental regulation. Such expansions will also have upfront investment costs that may not be accompanied by sufficient revenues to achieve typical or expected operational and financial performance.

We also have risks related to identifying suitable partners. In addition, certain aspects of these arrangements are not directly within our control, such as the ability of these third parties to meet their projections regarding store openings and sales and their compliance with federal and local law. We cannot ensure the profitability or success of our expansion into international markets.

Further, our results of operations and financial condition may be adversely affected by fluctuations in currency exchange rates. See "Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations" below.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our licensees, franchisees and wholesalers could take actions that could harm our business or brand images.

We have global representation through independently owned stores operated by our partners. Although we have criteria to evaluate and select prospective partners, the level of control we can exercise over our partners is limited, and the quality and success of their operations may be diminished by any number of factors beyond our control. For example, our partners may not have the business acumen or financial resources necessary to successfully operate stores in a manner consistent with our standards and may not hire and train qualified store managers and other personnel. Our brand image and reputation may suffer materially, and our sales could decline if our partners do not operate successfully. These risks could have an adverse effect on our results of operations, financial condition and cash flows.

Our direct channel businesses include risks that could have an effect on our results.

Our direct operations are subject to numerous risks that could have a material adverse effect on our results. Risks include, but are not limited to, the difficulty in recreating the in-store experience through our direct channels; domestic or international resellers purchasing merchandise and reselling it outside our control; our ability to anticipate and implement innovations in technology and logistics in order to appeal to existing and potential customers who increasingly rely on multiple channels to meet their shopping needs; the failure of and risks related to the systems that operate our web infrastructure, websites and the related support systems, including computer viruses, theft of customer information, privacy concerns, telecommunication failures and electronic break-ins and similar disruptions.

Our failure to maintain efficient and uninterrupted order-taking and fulfillment operations could also have a material adverse effect on our results. The satisfaction of our online customers depends on their timely receipt of merchandise. If we encounter difficulties with the distribution facilities, or if the facilities were to shut down for any reason, including as a result of fire, natural disaster or work stoppage, we could face shortages of inventory; incur significantly higher costs and longer lead times associated with distributing our products to our customers; and cause customer dissatisfaction.

Any of these issues could have a material adverse effect on our operations, financial condition and cash flows.

Our ability to protect our reputation could have a material effect on our brand images.

Our ability to maintain our reputation is critical to our brand images. Our reputation could be jeopardized if we fail to maintain high standards for merchandise quality and integrity. Any negative publicity, including information publicized through traditional or social media platforms and similar venues such as blogs, websites and other forums, may affect our reputation and brand and, consequently, reduce demand for our merchandise, even if such publicity is unverified or inaccurate.

Failure to comply with ethical, social, product, labor and environmental standards, or related political considerations, could also jeopardize our reputation and potentially lead to various adverse consumer actions, including boycotts. Failure to comply with local laws and regulations, to maintain an effective system of internal controls, to maintain the security of customer, associate, third-party or company information or to provide accurate and timely financial statement information could also hurt our reputation. Damage to our reputation or loss of consumer confidence for any of these or other reasons could have a material adverse effect on our results of operations, financial condition and cash flows, as well as require additional resources to rebuild our reputation.

If our marketing, advertising and promotional programs are unsuccessful, or if our competitors are more effective with their programs than we are, our revenue or results of operations may be adversely affected.

Customer traffic and demand for our merchandise are influenced by our advertising, marketing and promotional activities, the name recognition and reputation of our brands and the location of and service offered in our stores. Although we use marketing, advertising and promotional programs to attract customers through various media, including social media, websites, mobile applications, email, print and television, some of our competitors may expend more for their programs than we do, or use different approaches than we do, which may provide them with a competitive advantage. Our programs may not be effective or could require increased expenditures, which could have a material adverse effect on our revenue and results of operations.

Our ability to adequately protect our trade names, trademarks and patents could have an impact on our brand images and ability to penetrate new markets.

We believe that our trade names, trademarks and patents are important assets and an essential element of our strategy. We have obtained or applied for federal registration of these trade names, trademarks and patents and have applied for or obtained registrations in many foreign countries. There can be no assurance that we will obtain such registrations or that the registrations we obtain will prevent the imitation of our products or infringement of our intellectual property rights by others. In particular, the laws of certain foreign countries may not protect proprietary rights to the same extent as the laws of the U.S. If any third-party copies our products or our stores in a manner that projects lesser quality or carries a negative connotation, it could have a

material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

Our ability to compete favorably in our highly competitive segment of the retail industry could impact our results.

The sale of women's intimate and other apparel, personal care products and accessories is highly competitive. We compete for sales with a broad range of other retailers, including individual and chain specialty stores, department stores and discount retailers. In addition to the traditional store-based retailers, we also compete with direct marketers or retailers that sell similar lines of merchandise and who target customers through online channels. Brand image, marketing, design, price, service, assortment, quality, image presentation and fulfillment are all competitive factors in both the store-based and online channels.

Some of our competitors may have greater financial, marketing and other resources available and trends across our product categories may favor our competitors. We rely to a greater degree than some of our competitors on physical locations in shopping malls and centers and so declines in traffic to such locations may affect us more significantly than our competitors. Some of our competitors sell their products in stores that are located in the same shopping malls and centers as our stores. In addition to competing for sales, we compete for favorable site locations and lease terms in shopping malls and centers.

Increased competition, combined with declines in mall traffic, could result in price reductions, increased marketing expenditures and loss of pricing power and market share, any of which could have a material adverse effect on our results of operations, financial condition and cash flows.

Our ability to manage the life cycle of our brands and to remain current with fashion trends and launch new product lines successfully could impact the image and relevance of our brands.

Our success depends in part on management's ability to effectively manage the life cycle of our brands and to anticipate and respond to changing fashion preferences and consumer demands and to translate market trends into appropriate, salable product offerings in advance of the actual time of sale to the customer. Customer demands and fashion trends change rapidly. If we are unable to successfully anticipate, identify or react to changing styles or trends or we misjudge the market for our products or any new product lines, our sales will be lower, potentially resulting in significant amounts of unsold finished goods inventory. In response, we may be forced to increase our marketing promotions or price markdowns. These risks could have a material adverse effect on our brand image and reputation as well as our results of operations, financial condition and cash flows.

We may be impacted by our ability to adequately source, distribute and sell merchandise and other materials on a global basis.

We source merchandise and other materials directly in international markets and in our domestic market. We distribute merchandise and other materials globally to our partners in international locations and to our stores. Many of our imports and exports are subject to a variety of customs regulations and international trade arrangements, including existing or potential duties, tariffs or safeguard quotas. We compete with other companies for production facilities.

We also face a variety of other risks generally associated with doing business on a global basis. For example:

- political instability, significant health hazards, environmental hazards or natural disasters which could negatively affect international economies, financial markets and business activity;
- imposition of new or retaliatory trade duties, sanctions or taxes and other charges on imports or exports;
- evolving, new or complex legal and regulatory matters;
- volatility in currency exchange rates;
- local business practice and political issues (including issues relating to compliance with domestic or international labor standards) which may result in adverse publicity or threatened or actual adverse consumer actions, including boycotts;
- potential delays or disruptions in shipping and transportation and related pricing impacts;
- disruption due to labor disputes; and
- changing expectations regarding product safety due to new legislation or other factors.

We also rely upon third-party transportation providers for substantially all of our product shipments, including shipments to and from our distribution centers, to our stores and to our customers. Our utilization of these delivery services for shipments is subject to risks, including increases in labor costs and fuel prices, which would increase our shipping costs, and associate strikes and inclement weather, which may impact our transportation providers' ability to provide delivery services that adequately meet our shipping needs.

Our future performance will depend upon these and the other factors listed above which are beyond our control and could have a material adverse effect on our results of operations, financial condition and cash flows.

We rely on a number of vendor and distribution facilities located in the same vicinity, making our business susceptible to local and regional disruptions or adverse conditions.

To achieve the necessary speed and agility in producing our beauty, personal care and home fragrance products, we rely heavily on vendor and distribution facilities in close proximity to our headquarters in Central Ohio. As a result of geographic concentration of the vendor and distribution facilities that we rely upon, our operations are susceptible to local and regional factors, such as accidents, system failures, economic and weather conditions, natural disasters, demographic and population changes, and other unforeseen events and circumstances. Any significant interruption in the operations of these facilities could lead to inventory issues or increased costs, which could have a material adverse effect on our results of operations, financial condition and cash flows.

Fluctuations in foreign currency exchange rates could impact our financial condition and results of operations.

We are exposed to foreign currency exchange rate risk with respect to our sales, profits, assets and liabilities denominated in currencies other than the U.S. dollar. In addition, our royalty arrangements are calculated based on sales in local currency and, as such, we are exposed to foreign currency exchange rate fluctuations. Although we use foreign currency forward contracts to hedge certain foreign currency risks, these measures may not succeed in offsetting all of the short-term negative impacts of foreign currency rate movements on our business and results of operations. Hedging would generally not be effective in offsetting the long-term impact of sustained shifts in foreign exchange rates on our business results. As a result, the fluctuation in the value of the U.S. dollar against other currencies could have a material adverse effect on our results of operations, financial condition and cash flows.

Our stock price may be volatile.

Our stock price may fluctuate substantially as a result of variations in our actual or projected performance or the financial performance of other companies in the retail industry. Any guidance that we provide is based on goals that we believe are reasonably attainable at the time guidance is given. If, or when, we announce actual results that differ from those that have been predicted by us, outside investment analysts or others, our stock price could be adversely affected. Investors who rely on these predictions when making investment decisions with respect to our securities do so at their own risk.

In addition, the stock market may experience price and volume fluctuations that are unrelated or disproportionate to operating performance.

If we are unable to pay quarterly dividends at intended levels, our reputation and stock price may be harmed.

Our dividend program requires the use of a portion of our cash flow. Our ability to pay dividends will depend on our ability to generate sufficient cash flows from operations in the future. This ability may be subject to certain economic, financial, competitive and other factors that are beyond our control. Our Board of Directors may, at its discretion, decrease the level of dividends or entirely discontinue the payment of dividends at any time. On November 19, 2018, our Board of Directors announced that it planned to reduce our annual ordinary dividend to $1.20 per share from $2.40 per share, beginning with the quarterly dividend paid in March 2019. Any failure to pay dividends after we have announced our intention to do so may negatively impact our reputation, investor confidence in us and our stock price.

Our ability to maintain our credit rating could affect our ability to access capital and could increase our interest expense.

The credit rating agencies periodically review our capital structure and the quality and stability of our earnings. A deterioration in our capital structure or the quality and stability of our earnings could result in a downgrade of our credit rating. Any negative ratings actions could constrain the capital available to our company or our industry and could limit our access to funding for our operations. We are dependent upon our ability to access capital at rates and on terms we determine to be attractive. If our ability to access capital becomes constrained, our interest costs will likely increase, which could have a material adverse effect on our results of operations, financial condition and cash flows. Additionally, changes to our credit rating could affect our future interest costs.

We may be impacted by our ability to service or refinance our debt.

We currently have substantial indebtedness. Some of our debt agreements contain covenants which require maintenance of certain financial ratios and also, under certain conditions, restrict our ability to pay dividends, repurchase common shares and make other restricted payments as defined in those agreements. Our cash flow from operations provides the primary source of

funds for our debt service payments. If our cash flow from operations declines, we may be unable to service or refinance our current debt.

Shareholder activism could cause us to incur significant expense, hinder execution of our business strategy and impact our stock price.

Shareholder activism, which can take many forms and arise in a variety of situations, could result in substantial costs and divert management's and our board's attention and resources from our business. Additionally, such shareholder activism could give rise to perceived uncertainties as to our future, adversely affect our relationships with our associates, customers or service providers and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant fees and other expenses related to activist shareholder matters, including for third-party advisors. Our stock price could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties of any shareholder activism.

We may be impacted by our ability to recruit, train and retain key personnel.

We believe we have benefited substantially from the leadership and experience of our senior executives, including Leslie H. Wexner, Chairman of the Board of Directors and Chief Executive Officer. The loss of the services of any of these individuals could have a material adverse effect on our business. Competition for key personnel in the retail industry is intense, and our future success will also depend on our ability to recruit, train and retain other qualified key personnel.

We may be impacted by our ability to attract, develop and retain qualified associates and manage labor-related costs.

We believe our competitive advantage is providing a positive, engaging and satisfying experience for each individual customer, which requires us to have highly trained and engaged associates. Our success depends in part upon our ability to attract, develop and retain a sufficient number of qualified associates, including store personnel and talented merchants. The turnover rate in the retail industry is generally high, and qualified individuals of the requisite caliber and number needed to fill these positions may be in short supply in some areas. Competition for such qualified individuals or changes in labor and healthcare laws could require us to incur higher labor costs. Our inability to recruit a sufficient number of qualified individuals in the future may delay planned openings of new stores or affect the speed with which we expand. Delayed store openings, significant increases in associate turnover rates or significant increases in labor-related costs could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be impacted by our vendors' ability to manufacture and deliver products in a timely manner, meet quality standards and comply with applicable laws and regulations.

We purchase products from third-party vendors. Factors outside our control, such as production or shipping delays or quality problems, could disrupt merchandise deliveries and result in lost sales, cancellation charges or excessive markdowns.

In addition, quality problems could result in a product liability judgment or a widespread product recall that may negatively impact our sales and profitability for a period of time depending on product availability, competition reaction and consumer attitudes. Even if the product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertions could adversely impact our reputation with existing and potential customers and our brand image.

Our business could also suffer if our third-party vendors fail to comply with applicable laws and regulations. While our internal and vendor operating guidelines promote ethical business practices and our associates visit and monitor the operations of our third-party vendors, we do not control these vendors or their practices. The violation of labor, environmental or other laws by third-party vendors used by us, or the divergence of a third-party vendor's or partner's labor or environmental practices from those generally accepted as ethical or appropriate, could interrupt or otherwise disrupt the shipment of finished products to us or damage our reputation.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be affected by fluctuations in product input costs.

Product input costs, including freight, labor and raw materials, fluctuate. These fluctuations may result in an increase in our production costs. We may not be able to, or may elect not to, pass these increases on to our customers which may adversely impact our profit margins. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

Our ability to adequately protect our assets from loss and theft.

Our assets are subject to loss, including those caused by illegal or unethical conduct by associates, customers, vendors or unaffiliated third parties. We have experienced events such as inventory shrinkage in the past, and we cannot assure that incidences of loss and theft will decrease in the future or that the measures we are taking will effectively reduce these losses. Higher rates of loss or increased security costs to combat theft could have a material adverse effect on our results of operations, financial condition and cash flows.

Our results may be affected by fluctuations in energy costs.

Energy costs have fluctuated in the past. These fluctuations may result in an increase in our transportation costs for distribution, utility costs for our retail stores and costs to purchase products from our manufacturers. A continual rise in energy costs could adversely affect consumer spending and demand for our products and increase our operating costs, both of which could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be impacted by increases in costs of mailing, paper and printing.

Postal rate increases and paper and printing costs will affect the cost of our order fulfillment and promotional mailings. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting. Future paper and postal rate increases could adversely impact our earnings if we are unable to recover these costs or if we are unable to implement more efficient printing, mailing, delivery and order fulfillment systems. These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

We self-insure certain risks and may be impacted by unfavorable claims experience.

We are self-insured for various types of insurable risks including associate medical benefits, workers' compensation, property, general liability and automobile up to certain stop-loss limits. Claims are difficult to predict and may be volatile. Any adverse claims experience could have a material adverse effect on our results of operations, financial condition and cash flows.

Retained or contingent liabilities from businesses that we divest could adversely affect our financial results.

In the fourth quarter of 2018, we completed the sale of La Senza to an affiliate of Regent LP, a global private equity firm. As a result of this divestiture, we may incur unexpected contingent liabilities, including with respect to leases assumed by the buyer. Our divestiture activities may also present financial and operational risks. Those risks may include difficulties separating personnel, financial and other systems, and indemnities and potential disputes with the buyer of La Senza. Any of these factors could adversely affect our financial condition and results of operations.

We significantly rely on our ability to implement and sustain information technology systems and to protect associated data.

Our success depends, in part, on the secure and uninterrupted performance of our information technology systems. Our information technology systems, as well as those of our service providers, are vulnerable to damage from a variety of sources, including telecommunication failures, malicious human acts and natural disasters. Moreover, despite network security measures, some of our servers and those of our service providers are potentially vulnerable to physical or electronic break-ins, computer viruses and similar disruptive problems. Additionally, these types of problems could result in a breach of confidential customer, merchandise, financial or other important information which could result in damage to our reputation and/or litigation. The increased use of smartphones, tablets and other mobile devices may also heighten these and other operational risks. Despite the precautions we have taken, unanticipated problems may nevertheless cause failures in our information technology systems. Sustained or repeated system disruptions that interrupt our ability to process orders and deliver products to the stores, impact our consumers' ability to access our websites in a timely manner or expose confidential customer information, merchandise, financial or other important information could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition, from time to time, we make modifications and upgrades to the information technology systems for point-of-sale, e-commerce, merchandising, planning, sourcing, logistics, inventory management and support systems including human resources and finance. Modifications involve replacing legacy systems with successor systems, making changes to legacy systems or acquiring new systems with new functionality. We are aware of inherent risks associated with replacing these systems, including not accurately capturing data and system disruptions. Information technology system disruptions, if not anticipated and appropriately mitigated, could have a material adverse effect on our operations, financial condition and cash flows.

Our ability to maintain the security of customer, associate, third-party or company information could have an impact on our reputation and our results.

Information systems are susceptible to an increasing threat of continually evolving cybersecurity risks. Any significant compromise or breach of our data security could significantly damage our reputation with our customers, associates, investors and other third parties; cause the disclosure of confidential customer, associate, third-party or company information; cause our customers to stop shopping with us; and result in significant legal, regulatory and financial liabilities and lost revenues. While we train our associates and have implemented systems and processes to protect against unauthorized access to our information systems and prevent data loss, there is no guarantee that these procedures are adequate to safeguard against all data security breaches. In addition to our own networks and databases, we use third-party service providers to store, process and transmit certain of this information on our behalf. Although we contractually require these service providers to implement and use reasonable security measures, we cannot control third parties and cannot guarantee that a security breach will not occur in their systems. We have confidential security measures in place to protect our physical facilities and information technology systems from attacks. Despite these measures, we may be vulnerable to targeted or random security breaches, phishing attacks, denial of service attacks, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors or similar events.

The regulatory environment related to information security, data collection and privacy is increasingly rigorous, with new and constantly changing requirements applicable to our business, and compliance with those requirements could result in additional costs, such as costs related to organizational changes, implementing additional protection technologies, training associates and engaging consultants. Additionally, we could incur lost revenues and face increased litigation as a result of any potential cybersecurity breach.

These risks could have a material adverse effect on our results of operations, financial condition and cash flows.

We may be impacted by our ability to comply with regulatory requirements.

We are subject to numerous regulatory requirements. Our policies, procedures and internal controls are designed to comply with all applicable foreign and domestic laws and regulations, including those required by the Sarbanes-Oxley Act of 2002, the U.S. Foreign Corrupt Practices Act, the U.K. Bribery Act, the SEC and the New York Stock Exchange (the “NYSE”), among others. Although we have put in place policies and procedures aimed at ensuring legal and regulatory compliance, our associates, subcontractors, vendors, licensees, franchisees and other third parties could take actions that violate these laws and regulations. Any violations of such laws or regulations could have an adverse effect on our reputation, market price of our common stock, results of operations, financial condition and cash flows.

It can be difficult to comply with sometimes conflicting regulations in local, national or foreign jurisdictions as well as new or changing regulations. Also, changes in such laws could make operating our business more expensive or require us to change the way we do business. For example, changes in product safety or other consumer protection laws could lead to increased costs for certain merchandise, or additional labor costs associated with readying merchandise for sale. It may be difficult for us to oversee regulatory changes impacting our business, and our responses to changes in the law could be costly and may negatively impact our operations.

We may be adversely impacted by certain compliance or legal matters.

We, along with third parties we do business with, are subject to complex compliance and litigation risks. Actions filed against us from time to time include commercial, tort, intellectual property, customer, employment, wage and hour, data privacy, securities, anti-corruption and other claims, including purported class action lawsuits. The cost of defending against these types of claims against us or the ultimate resolution of such claims, whether by settlement or adverse court decision, may harm our business. Further, potential claimants may be encouraged to bring suits based on a settlement from us or adverse court decisions against us. We cannot currently assess the likely outcome of such suits, but if the outcome were negative, it could have a material adverse effect on our reputation, results of operations, financial condition and cash flows.

In addition, we may be impacted by litigation trends, including class action lawsuits involving consumers and shareholders, that could have a material adverse effect on our reputation, the market price of our common stock, results of operations, financial condition and cash flows.

We may be impacted by changes in taxation, trade and other regulatory requirements.

We are subject to income tax in local, national and international jurisdictions. In addition, our products are subject to import and excise duties and/or sales or value-added taxes in many jurisdictions. We are also subject to the examination of our tax returns and other tax matters by the Internal Revenue Service and other tax authorities and governmental bodies. We regularly

assess the likelihood of an adverse outcome resulting from these examinations to determine the adequacy of our provision for taxes. There can be no assurance as to the outcome of these examinations. Fluctuations in tax rates and duties, changes in tax legislation or regulation or adverse outcomes of these examinations could have a material adverse effect on our results of operations, financial condition and cash flows.

There is increased uncertainty with respect to tax policy and trade relations between the U.S. and other countries. Major developments in tax policy or trade relations, such as the imposition of unilateral tariffs on imported products, could have a material adverse effect on our results of operations, financial condition and cash flows.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The following table provides the location, use and size of our distribution, corporate and product development facilities as of February 2, 2019:

Location	Use	Approximate Square Footage
Columbus, Ohio area	Corporate, distribution and shipping	6,938,000
New York	Office, sourcing and product development/design	495,000
Kettering, Ohio	Call center	94,000
Montreal, Quebec, Canada	Office	60,000
Hong Kong	Office and sourcing	60,000
Mainland China	Office	35,000
Various international locations	Office and sourcing	160,000

United States

Our business for the Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International segments is principally conducted from office, distribution and shipping facilities located in the Columbus, Ohio, area. Additional facilities are located in New York and Kettering, Ohio.

Our distribution and shipping facilities consist of eight buildings located in the Columbus, Ohio, area. These buildings, including attached office space, comprise approximately 6.9 million square feet.

As of February 2, 2019, we operate 2,717 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the U.S. A substantial portion of these lease commitments consists of store leases generally with an initial term of 10 years. The store leases expire at various dates between 2019 and 2033.

Typically, when space is leased for a retail store in a mall or shopping center, we supply all improvements, including interior walls, floors, ceilings, fixtures and decorations. The cost of improvements varies widely, depending on the design, size and location of the store. In certain cases, the landlord of the property may provide an allowance to fund all or a portion of the cost of improvements, serving as a lease incentive. Rental terms for new locations usually include a fixed minimum rent plus a percentage of sales in excess of a specified amount. We usually pay certain operating costs such as common area maintenance, utilities, insurance and taxes. For additional information, see Note 17 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

International

Canada

We lease offices in the Montreal, Quebec, and Toronto, Ontario, areas.

As of February 2, 2019, we operate 147 retail stores located in leased facilities, primarily in malls and shopping centers, throughout the Canadian provinces. These lease commitments consist of store leases with initial terms of 5 to 10 years expiring on various dates between 2019 and 2030.

United Kingdom / Ireland

As of February 2, 2019, we operate 26 retail stores in leased facilities in the U.K. and Ireland. These lease commitments consist of store leases with initial terms ranging from 10 to 35 years expiring on various dates between 2021 and 2045.

Greater China

We lease offices in Shanghai, Shenzhen and Hong Kong within Greater China.

As of February 2, 2019, we operate 53 retail stores in leased facilities in Greater China. These lease commitments consist of store leases with initial terms ranging from 3 to 15 years expiring on various dates between 2019 and 2032.

Other International

As of February 2, 2019, we also have global representation through stores operated by our partners:

- 383 Victoria’s Secret Beauty and Accessories stores in 70 countries;
- 235 Bath & Body Works stores in more than 30 countries;
- 47 Victoria's Secret stores in 21 countries; and
- 9 PINK stores in 4 countries.

We also operate sourcing-related office facilities in various international locations.

ITEM 3. LEGAL PROCEEDINGS.

We are a defendant in a variety of lawsuits arising in the ordinary course of business. Actions filed against our Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Although it is not possible to predict with certainty the eventual outcome of any litigation, in the opinion of management, our current legal proceedings are not expected to have a material adverse effect on our results of operations, financial condition and cash flows.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock ("LB") is traded on the NYSE. As of February 2, 2019, there were approximately 35,000 shareholders of record. However, including active associates who participate in our stock purchase plan, associates who own shares through our sponsored retirement plans and others holding shares in broker accounts under street names, we estimate the shareholder base to be approximately 148,000.

The following table provides our quarterly market prices and cash dividends per share for 2018 and 2017:

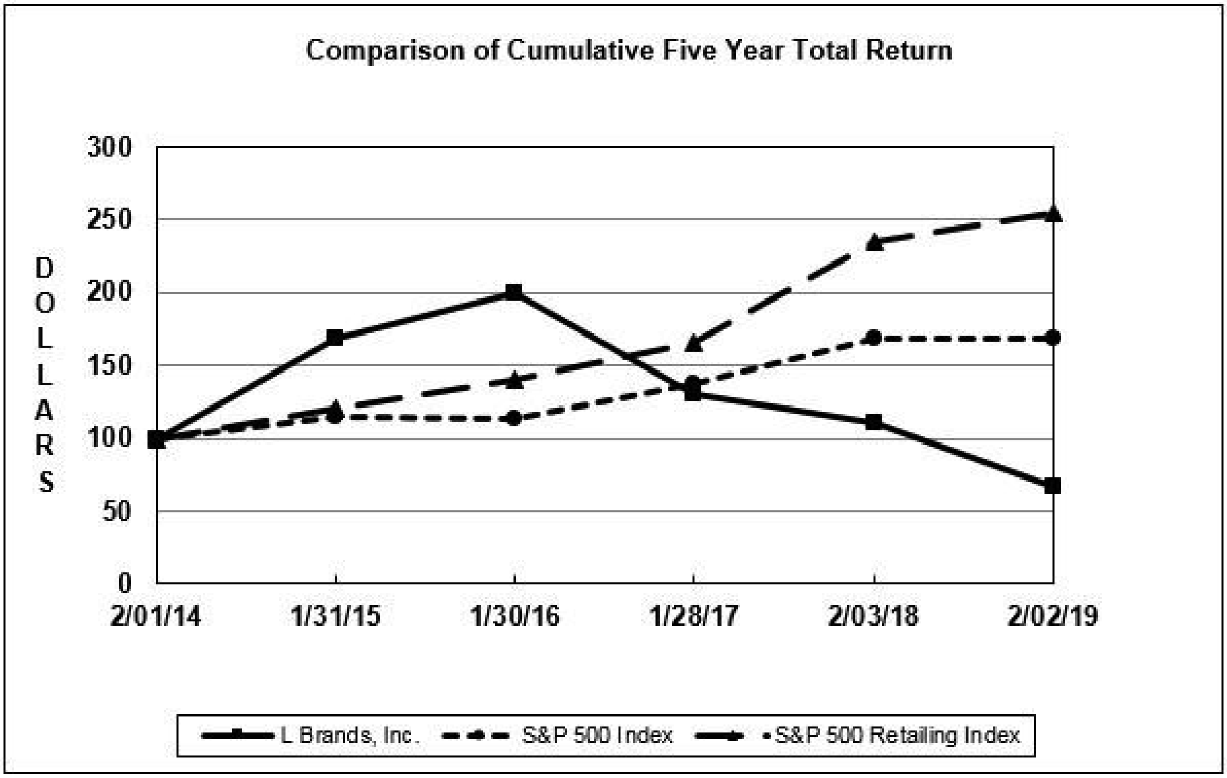
	Market Price		Cash Dividend per Share
	High	Low	
2018			
Fourth quarter	$ 38.00	$ 23.71	$ 0.60
Third quarter	33.97	25.89	0.60
Second quarter	38.14	30.42	0.60
First quarter	51.13	33.88	0.60
2017			
Fourth quarter	$ 63.10	$ 42.54	$ 0.60
Third quarter	46.66	35.00	0.60
Second quarter	55.98	43.35	0.60
First quarter	60.46	43.04	0.60

In November 2018, our Board of Directors reduced our annual ordinary dividend to $1.20 per share from $2.40 per share, beginning with the quarterly dividend paid in March 2019.

In February 2019, our Board of Directors declared our first quarter of 2019 dividend of $0.30 per share. This dividend was distributed on March 8, 2019 to shareholders of record at the close of business on February 22, 2019.

The following graph shows the changes, over the past five-year period, in the value of $100 invested in our common stock, the Standard & Poor's ("S&P") 500 Composite Stock Price Index and the Standard & Poor's 500 Retail Composite Index.

COMPARISON OF FIVE YEAR CUMULATIVE TOTAL RETURN (a) (b) (c) (d)
AMONG L BRANDS, INC., THE S&P 500 INDEX AND THE S&P RETAIL COMPOSITE INDEX



(a) This table represents $100 invested in stock or in index at the closing price on February 1, 2014, including reinvestment of dividends.
(b) The January 28, 2017 cumulative total return includes the $2 special dividend in March 2016.
(c) The January 30, 2016 cumulative total return includes the $2 special dividend in March 2015.
(d) The January 31, 2015 cumulative total return includes the $1 special dividend in March 2014.

The following table provides our repurchases of our common stock during the fourth quarter of 2018:

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share (b)	Total Number of Shares Purchased as Part of Publicly Announced Programs (c)	Maximum Dollar Value of Shares that May Yet be Purchased Under the Programs (c)
	(in thousands)		(in thousands)	
November 2018	4	$ 33.64	—	$ 78,677
December 2018	4	28.58	—	78,677
January 2019	13	27.17	—	78,677
Total	21		—	

(a) The total number of shares repurchased includes shares repurchased as part of publicly announced programs, with the remainder relating to shares repurchased in connection with tax payments due upon vesting of employee restricted stock awards and the use of our stock to pay the exercise price on employee stock options.
(b) The average price paid per share includes any broker commissions.
(c) For additional share repurchase program information, see Note 20 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

ITEM 6. SELECTED FINANCIAL DATA.

	Fiscal Year Ended				
	February 2, 2019	February 3, 2018 (a)	January 28, 2017	January 30, 2016	January 31, 2015
Summary of Operations			(in millions)		
Net Sales	$ 13,237	$ 12,632	$ 12,574	$ 12,154	$ 11,454
Gross Profit	4,899	4,959	5,125	5,204	4,808
Operating Income (b)	1,237	1,728	2,003	2,192	1,953
Net Income (c)	644	983	1,158	1,253	1,042
			(as a percentage of net sales)		
Gross Profit	37.0%	39.3%	40.8%	42.8%	42.0%
Operating Income	9.3%	13.7%	15.9%	18.0%	17.1%
Net Income	4.9%	7.8%	9.2%	10.3%	9.1%
Per Share Results					
Net Income Per Basic Share	$ 2.33	$ 3.46	$ 4.04	$ 4.30	$ 3.57
Net Income Per Diluted Share	$ 2.31	$ 3.42	$ 3.98	$ 4.22	$ 3.50
Dividends Per Share	$ 2.40	$ 2.40	$ 4.40	$ 4.00	$ 2.36
Weighted Average Diluted Shares Outstanding (in millions)	279	287	291	297	298
Other Financial Information			(in millions)		
Cash and Cash Equivalents	$ 1,413	$ 1,515	$ 1,934	$ 2,548	$ 1,681
Total Assets	8,090	8,149	8,170	8,493	7,476
Working Capital	1,274	1,262	1,451	2,281	1,520
Net Cash Provided by Operating Activities	1,377	1,406	1,990	2,027	1,877
Capital Expenditures	629	707	990	727	715
Long-term Debt	5,739	5,707	5,700	5,715	4,722
Other Long-term Liabilities	1,004	924	831	904	820
Shareholders' Equity (Deficit)	(869)	(753)	(729)	(259)	18
Comparable Sales Increase (Decrease) (d)	3%	(3%)	2%	5%	4%
Comparable Store Sales Increase (Decrease) (d)	(1%)	(4%)	1%	5%	4%
Return on Average Assets	8%	12%	14%	16%	14%
Current Ratio	1.6	1.6	1.7	2.2	1.9
Stores and Associates at End of Year					
Number of Stores (e)	2,943	3,075	3,074	3,005	2,969
Selling Square Feet (in thousands) (e)	12,396	12,656	12,395	11,902	11,536
Number of Associates	88,900	93,200	93,600	87,900	80,100

(a) The fiscal year ended February 3, 2018 ("2017") represents a 53-week fiscal year.

(b) Operating income includes the effect of the following items:

(i) In 2018, a $99 million loss on the sale of La Senza, an $81 million charge related to the impairment of certain Victoria's Secret store assets and $20 million of Henri Bendel closure costs.

(ii) In 2016, a $35 million charge related to strategic actions at Victoria's Secret, including severance charges, fabric cancellations and the write-off of catalogue paper.

(c) In addition to the items previously discussed in (b), net income includes the effect of the following items:

(i) In 2017, a $92 million tax benefit related to changes in U.S. tax legislation partially offset by a $29 million loss associated with the early extinguishment of our 2019 Notes.

(ii) In 2016, a $70 million gain related to a $124 million cash distribution from Easton Town Center, LLC, a $42 million tax benefit related to the favorable resolution of a discrete income tax matter, partially offset by a $22 million loss associated with the early extinguishment of our 2017 Notes.

(iii) In 2015, a $69 million gain related to the divestiture of our remaining ownership interest in our third-party apparel sourcing business.

For additional information on these items, see the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

The effect of the items described in (b) and (c) above decreased earnings per share by $0.51 in 2018, and increased earnings per share by $0.22 in 2017, and $0.23 in 2016 and 2015.

(d) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2018, 2016, 2015 and 2014 were calculated on a 52-to-52-week basis, and the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(e) Number of stores and selling square feet excludes independently owned Victoria's Secret Beauty and Accessories, Victoria's Secret, PINK, Bath & Body Works and La Senza stores operated by our partners.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") as codified in the Accounting Standards Codification ("ASC"). The following information should be read in conjunction with our financial statements and the related notes included in Item 8. Financial Statements and Supplementary Data.

Our operating results are generally impacted by economic changes and, therefore, we monitor the retail environment using, among other things, certain key industry performance indicators including competitor performance and mall traffic data. These can provide insight into consumer spending patterns and shopping behavior in the current retail environment and assist us in assessing our performance as well as the potential impact of industry trends on our future operating results. Additionally, we evaluate a number of key performance indicators including comparable sales, gross profit, operating income and other performance metrics such as sales per average selling square foot and inventory per selling square foot in assessing our performance.

Executive Overview

We have a multi-year goal to grow our business and increase operating margins for our brands by focusing on these key business priorities:

- Grow our business in North America;
- Extend our brands internationally; and
- Focus on the fundamentals of our business.

We also continue to focus on:

- Attracting and retaining top talent;
- Maintaining a strong cash and liquidity position while optimizing our capital structure; and
- Returning value to our shareholders.

The following is a discussion regarding certain of our key business priorities:

Grow our business in North America

Our number one priority is improving performance at Victoria's Secret by staying close to our customer, improving our assortment and improving the customer experience in stores and online. We have new leaders at Victoria's Secret Lingerie and PINK, and we are looking at every aspect of our business: our marketing, brand positioning, internal talent, real estate portfolio, direct business and cost structure. We are focused on improving our merchandise assortment. We believe we have significant opportunities to improve our merchandise, making sure we have a robust product pipeline, fashion that our customers really want with high emotional content. We will also be expanding our assortment to include new and previously exited categories, but doing some things differently through new licensing opportunities in eyewear and swimwear.

The core of Bath & Body Works is its body care, home fragrance products, soaps and sanitizers which together make up the majority of sales and profits for the business. We see clear opportunities for substantial growth in these categories by focusing on product newness and innovation and expanding into under-penetrated market and price segments. We will continue to invest in the White Barn concept, which continues to yield strong results. In 2019, we plan to increase our square footage at Bath & Body Works North America by about 3% through the opening of approximately 25 net new Bath & Body Works stores and the remodeling of existing stores.

Our Victoria's Secret and Bath & Body Works direct businesses, with $2.5 billion in sales and operating margins in excess of 20%, are growing rapidly at a mid-to-high-teens rate. Our investment in technology and logistics will increase substantially in 2019 for initiatives supporting our direct businesses.

Extend our brands internationally

We believe there is substantial opportunity for international growth. We have separate, dedicated teams that have taken a methodical, "test and learn" approach to expansion. We expand our presence outside of North America by opening company-owned stores, as well as by increasing the number of stores operated by our international partners.

- Victoria's Secret International Stores — We have made significant progress in expanding Victoria's Secret internationally. During 2018, we opened eight new Victoria's Secret full-assortment stores in Greater China, bringing the total to 15. In 2019, we have plans to open three to five new Victoria's Secret full-assortment stores in Greater China.

  Further, our partners opened 15 Victoria's Secret full-assortment and four PINK stores in 2018, bringing the totals to 47 Victoria's Secret full-assortment stores and nine PINK stores. There were notable openings in Australia, Costa Rica, Indonesia, Italy, Malaysia and Thailand. Our partners plan to open approximately 20 Victoria's Secret full-assortment stores and one or two PINK stores in 2019.
- Victoria's Secret Beauty and Accessories Stores — During 2018, we opened nine net new Victoria's Secret Beauty and Accessories stores in Greater China, bringing the total to 38. In 2019, we expect to open six to ten net new Victoria's Secret Beauty and Accessories stores in Greater China. Additionally, our partners operate 383 Victoria's Secret Beauty and Accessories stores in 70 countries worldwide. These stores are located in local markets, airports and tourist destinations, and are focused on Victoria's Secret branded beauty and accessory products.
- Bath & Body Works International Stores — Our partners opened 50 net new Bath & Body Works stores in 2018, bringing the total in the Middle East, Latin America, Southeast Asia and Europe to 235. Our partners plan to open approximately 50 additional stores in 2019.

Focus on the fundamentals of our business

We are focused on the fundamentals of our business which include knowing our customers, focusing on core merchandise categories, inventory management, speed and agility, managing real estate and store selling and execution. In terms of speed and agility, we are focused on inventory discipline through lead-time reductions and in-season agility to increase sales and reduce promotional activity. In terms of real estate, we will continue to proactively and rigorously review our portfolio, and we will continue to open and close stores when we believe it makes sense to do so. Finally, we continue to optimize our store selling and execution by concentrating on a better store experience and developing, retaining and investing in talented, trained and productive store associates.

2018 Overview

Our performance continues to be mixed. Growth in operating income at Bath & Body Works was more than offset by a decline at Victoria's Secret and Victoria's Secret and Bath & Body Works International. Our net sales increased $605 million to $13.237 billion driven by a comparable sales increase of 3%. Our operating income decreased $491 million to $1.237 billion, and our operating income rate decreased to 9.3% from 13.7%.

- Victoria’s Secret has underperformed - major merchandise misses have resulted in increased promotion which negatively impacted margin rates. Victoria’s Secret segment comparable sales declined 2% for the year, and operating income declined 50%. By business unit:
    - In Victoria’s Secret Lingerie, 2018 comparable sales declined in the low-single digit range. We are seeing some improved performance in our newer bra launches. However, growth in new styles has not been enough to offset the decline in older styles. We made a substantial investment in sleepwear for the Holiday season, and the category delivered strong growth over last year.
    - PINK comparable sales declined in the mid-single digit range in 2018, as fashion misses in apparel drove a decline in performance.
    - Victoria’s Secret Beauty, with improved fashion, delivered low-double digit comparable sales growth in 2018.
- Bath & Body Works has an experienced team with strong merchandising skills. They have a close connection to the customer and a fast and agile supply chain, resulting in another record year, on top of a record 2017. In 2018, Bath & Body Works comparable sales increased 11%, and operating income increased 13%. Sales in the direct channel increased 30%. We ended the year with more than 600 newly remodeled stores, which include the White Barn store design. These stores are driving significant sales growth and, importantly, present a new, compelling store experience for customers.
- Revenue in our Victoria's Secret and Bath & Body Works International segment increased by 20% in 2018, and operating income declined, as improved performance in our franchise businesses was offset by underperformance in the U.K. and our investment in China.

Our recent overall performance at Victoria's Secret has been below our expectations, and we are determined to do better. By executing our strategy, focusing on the fundamentals, staying close to our customers and leveraging the strength of our brands, we are focused on meeting or exceeding the expectations of our stakeholders - customers, associates and shareholders.

At the end of the year, we made significant changes in our business to focus resources on core categories to enhance performance and accelerate growth. These actions include:

- Closing Henri Bendel;
- Selling the La Senza business; and
- Reducing our regular dividend to reduce debt levels.

We believe these decisions will strengthen our company.

For additional information related to our 2018 financial performance, see “Results of Operations – 2018 Compared to 2017.”

We are committed to returning value to our shareholders. During 2018, we paid $666 million in dividends and repurchased $196 million of our common stock. We use cash flow generated from operating and financing activities to fund our dividends and share repurchase programs. Since 2000, we have returned approximately $21 billion to shareholders through dividends and share repurchases.

Adjusted Financial Information

In addition to our results provided in accordance with GAAP above and throughout this Form 10-K, provided below are non-GAAP measurements which present operating income, net income and earnings per share in 2018, 2017 and 2016 on an adjusted basis, which remove certain special items. We believe that these special items are not indicative of our ongoing operations due to their size and nature. We use adjusted financial information as key performance measures of results of operations for the purpose of evaluating performance internally. These non-GAAP measurements are not intended to replace the presentation of our financial results in accordance with GAAP. Instead, we believe that the presentation of adjusted financial information provides additional information to investors to facilitate the comparison of past and present operations. Further, our definition of adjusted financial information may differ from similarly titled measures used by other companies. The table below reconciles the GAAP financial measures to the non-GAAP financial measures.

(in millions, except per share amounts)	**2018**	**2017**	**2016**
Detail of Special Items included in Operating Income - Income (Expense)			
Loss on Divestiture of La Senza (a)	$ (99)	$ —	$ —
Victoria's Secret Store Asset Impairment (b)	(81)	—	—
Henri Bendel Closure Costs (c)	(20)	—	—
Victoria's Secret Restructuring (d)	—	—	(35)
Total Special Items included in Operating Income	$ (200)	$ —	$ (35)
Detail of Special Items included in Other Income (Loss) - Income (Loss)			
Loss on Extinguishment of Debt (e)	$ —	$ (45)	$ (36)
Gain on Distribution from Easton Town Center, LLC (f)	—	—	108
Total Special Items included in Other Income (Loss)	$ —	$ (45)	$ 72
Detail of Special Items included in Provision for Income Taxes - Benefit (Provision)			
Tax Benefit related to Changes in U.S. Tax Legislation (g)	$ —	$ 92	$ —
Tax Benefit from the Settlement of a Discrete Tax Matter (h)	—	—	42
Tax Effect of Special Items included in Operating Income and Other Income (Loss)	58	16	(11)
Total Special Items included in Provision for Income Taxes	$ 58	$ 108	$ 31
Reconciliation of Reported Operating Income to Adjusted Operating Income			
Reported Operating Income	$ 1,237	$ 1,728	$ 2,003
Special Items included in Operating Income	200	—	35
Adjusted Operating Income	$ 1,437	$ 1,728	$ 2,037
Reconciliation of Reported Net Income to Adjusted Net Income			
Reported Net Income	$ 644	$ 983	$ 1,158
Special Items included in Net Income	142	(63)	(68)
Adjusted Net Income	$ 786	$ 920	$ 1,090
Reconciliation of Reported Earnings Per Diluted Share to Adjusted Earnings Per Diluted Share			
Reported Earnings Per Diluted Share	$ 2.31	$ 3.42	$ 3.98
Special Items included in Earnings Per Diluted Share	0.51	(0.22)	(0.23)
Adjusted Earnings Per Diluted Share	$ 2.82	$ 3.20	$ 3.74

(a) In the fourth quarter of 2018, we recognized a $99 million ($55 million after-tax) loss on the sale of La Senza. For additional information see Note 6, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

(b) In the third quarter of 2018, we recognized an $81 million ($73 million after-tax) impairment charge related to certain Victoria's Secret store assets. For additional information see Note 8, "Property and Equipment, Net" included in Item 8. Financial Statements and Supplementary Data.

(c) In the third quarter of 2018, we recognized $20 million ($15 million after-tax) of closure costs related to the closure of the Henri Bendel business. For additional information see Note 6, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

(d) In the first quarter of 2016, we made strategic changes within the Victoria's Secret segment designed to focus the brand on its core merchandise categories and streamline operations. As a result of these changes, we recorded charges related to severance and related costs, fabric cancellations and catalogue paper write-offs. For additional information see Note 6, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

(e) In the fourth quarter of 2017, we redeemed our $500 million 8.50% Senior Unsecured Notes due June 2019 resulting in a pre-tax loss on extinguishment of $45 million (after-tax loss of $29 million). In the second quarter of 2016, we redeemed our $700 million 6.90% Senior Unsecured Notes due July 2017 resulting in a pre-tax loss on extinguishment of $36 million (after-tax loss of $22 million). For additional information see Note 13, "Long-term Debt and Borrowing Facilities" included in Item 8. Financial Statements and Supplementary Data.

(f) In the second quarter of 2016, we received a $124 million cash distribution from Easton Town Center, LLC resulting in a pre-tax gain of $108 million (after-tax gain of $70 million). For additional information see Note 10, "Equity Investments" included in Item 8. Financial Statements and Supplementary Data.

(g) In the fourth quarter of 2017, we recorded a $92 million tax benefit related to changes in U.S. tax legislation. For additional information see Note 12, "Income Taxes" included in Item 8. Financial Statements and Supplementary Data.

(h) In the fourth quarter of 2016, we recorded a $42 million tax benefit related to the favorable resolution of a discrete income tax matter. For additional information see Note 12, "Income Taxes" included in Item 8. Financial Statements and Supplementary Data.

2019 Outlook

The global retail sector and our business continue to face an uncertain environment and, as a result, we will continue to manage our business thoughtfully, and we will focus on the execution of the retail fundamentals.

At the same time, we are aggressively focusing on bringing compelling merchandise assortments, marketing and store and online experiences to our customers. We will look for, and seek to capitalize on, those opportunities available to us.

Company-Owned Store Data

The following table compares 2018 company-owned store data to the comparable periods for 2017 and 2016:

				% Change	
	2018	2017	2016	2018	2017
Sales per Average Selling Square Foot					
Victoria's Secret U.S.	$ 757	$ 784	$ 844	(3%)	(7%)
Bath & Body Works U.S.	891	844	831	6%	2%
Sales per Average Store (in thousands)					
Victoria's Secret U.S.	$ 4,880	$ 5,003	$ 5,288	(2%)	(5%)
Bath & Body Works U.S.	2,279	2,107	2,010	8%	5%
Average Store Size (selling square feet)					
Victoria's Secret U.S.	6,484	6,415	6,349	1%	1%
Bath & Body Works U.S.	2,585	2,532	2,459	2%	3%
Total Selling Square Feet (in thousands)					
Victoria's Secret U.S.	7,119	7,210	7,181	(1%)	—%
Bath & Body Works U.S.	4,185	4,032	3,912	4%	3%

The following table represents company-owned store data for 2018:

	Stores Operating at February 3, 2018	Opened	Closed	Sold (a)	Stores Operating at February 2, 2019
Victoria's Secret U.S.	1,124	3	(29)	—	1,098
Victoria's Secret Canada	46	—	(1)	—	45
Total Victoria's Secret	1,170	3	(30)	—	1,143
Bath & Body Works U.S.	1,592	54	(27)	—	1,619
Bath & Body Works Canada	102	1	(1)	—	102
Total Bath & Body Works	1,694	55	(28)	—	1,721
Victoria's Secret U.K. / Ireland	24	2	—	—	26
Victoria's Secret Beauty and Accessories	29	13	(4)	—	38
Victoria's Secret China	7	8	—	—	15
Total Victoria's Secret and Bath & Body Works International	60	23	(4)	—	79
Henri Bendel	27	—	(27)	—	—
La Senza U.S.	5	7	—	(12)	—
La Senza Canada	119	—	(1)	(118)	—
Total L Brands Stores	**3,075**	**88**	**(90)**	**(130)**	**2,943**

(a) Relates to the divestiture of La Senza. For additional information see Note 6, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents company-owned store data for 2017:

	Stores Operating at January 28, 2017	Opened	Closed	Stores Operating at February 3, 2018
Victoria's Secret U.S.	1,131	13	(20)	1,124
Victoria's Secret Canada	46	2	(2)	46
Total Victoria's Secret	1,177	15	(22)	1,170
Bath & Body Works U.S.	1,591	32	(31)	1,592
Bath & Body Works Canada	102	—	—	102
Total Bath & Body Works	1,693	32	(31)	1,694
Victoria's Secret U.K. / Ireland	18	6	—	24
Victoria's Secret Beauty and Accessories	31	4	(6)	29
Victoria's Secret China	—	7	—	7
Total Victoria's Secret and Bath & Body Works International	49	17	(6)	60
Henri Bendel	29	—	(2)	27
La Senza U.S.	4	1	—	5
La Senza Canada	122	1	(4)	119
Total L Brands Stores	**3,074**	**66**	**(65)**	**3,075**

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The following table represents company-owned store data for 2016:

	Stores Operating at January 30, 2016	Opened	Acquired (a)	Closed	Stores Operating at January 28, 2017
Victoria’s Secret U.S.	1,118	23	—	(10)	1,131
Victoria’s Secret Canada	46	—	—	—	46
Total Victoria's Secret	1,164	23	—	(10)	1,177
Bath & Body Works U.S.	1,574	30	—	(13)	1,591
Bath & Body Works Canada	98	5	—	(1)	102
Total Bath & Body Works	1,672	35	—	(14)	1,693
Victoria's Secret U.K.	14	4	—	—	18
Victoria's Secret Beauty and Accessories	—	6	26	(1)	31
Total Victoria's Secret and Bath & Body Works International	14	10	26	(1)	49
Henri Bendel	29	—	—	—	29
La Senza U.S.	—	4	—	—	4
La Senza Canada	126	—	—	(4)	122
Total L Brands Stores	**3,005**	**72**	**26**	**(29)**	**3,074**

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(a) Relates to the acquisition of Victoria's Secret Beauty and Accessories franchise stores in Greater China. For additional information see Note 5, "Acquisition" included in Item 8. Financial Statements and Supplementary Data.

Noncompany-Owned Store Data

The following table represents noncompany-owned store data for 2018:

	Stores Operating at February 3, 2018	Opened	Closed	Sold (a)	Stores Operating at February 2, 2019
Victoria’s Secret Beauty & Accessories	397	32	(46)	—	383
Victoria's Secret	37	19	—	—	56
Bath & Body Works	185	56	(6)	—	235
La Senza	194	2	(17)	(179)	—
Total	**813**	**109**	**(69)**	**(179)**	**674**

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(a) Relates to the divestiture of La Senza. For additional information see Note 6, "Restructuring Activities" included in Item 8. Financial Statements and Supplementary Data.

The following table represents noncompany-owned store data for 2017:

	Stores Operating at January 28, 2017	Opened	Closed	Stores Operating at February 3, 2018
Victoria’s Secret Beauty & Accessories	391	34	(28)	397
Victoria's Secret	28	9	—	37
Bath & Body Works	159	28	(2)	185
La Senza	203	4	(13)	194
Total	**781**	**75**	**(43)**	**813**

The following table represents noncompany-owned store data for 2016:

	Stores Operating at January 30, 2016	Opened	Closed	Transferred (a)	Stores Operating at January 28, 2017
Victoria's Secret Beauty & Accessories	373	56	(12)	(26)	391
Victoria's Secret	19	9	—	—	28
Bath & Body Works	125	36	(2)	—	159
La Senza	221	6	(24)	—	203
Total	**738**	**107**	**(38)**	**(26)**	**781**

(a) Relates to the acquisition of Victoria's Secret Beauty and Accessories franchise stores in Greater China. For additional information see Note 5, "Acquisition" included in Item 8. Financial Statements and Supplementary Data.

Results of Operations—2018 Compared to 2017

We utilize the retail calendar for reporting. As such, the results for 2018 represent the 52-week period ended February 2, 2019, and the results for 2017 represent the 53-week period ended February 3, 2018.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2018 in comparison to 2017:

	2018	2017	Operating Income Rate 2018	Operating Income Rate 2017
	(in millions)			
Victoria's Secret	$ 462	$ 932	6.3%	12.6%
Bath & Body Works	1,077	953	23.3%	23.0%
Victoria's Secret and Bath & Body Works International	(37)	5	(6.2%)	1.0%
Other (a)	(265)	(162)	(42.5%)	(27.1%)
Total Operating Income	$ 1,237	$ 1,728	9.3%	13.7%

(a) Includes Mast Global, Henri Bendel, Corporate and La Senza results prior to January 6, 2019.

For 2018, operating income decreased $491 million to $1.237 billion, and the operating income rate decreased to 9.3% from 13.7%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2018 in comparison to 2017:

	2018	2017	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 5,628	$ 5,879	(4%)
Victoria's Secret Direct	1,747	1,508	16%
Total Victoria's Secret	7,375	7,387	—%
Bath & Body Works Stores (a)	3,907	3,589	9%
Bath & Body Works Direct	724	559	30%
Total Bath & Body Works	4,631	4,148	12%
Victoria's Secret and Bath & Body Works International	605	502	20%
Other (b)	626	595	5%
Total Net Sales	$ 13,237	$ 12,632	5%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Mast Global, Henri Bendel and La Senza results prior to January 6, 2019.

The following table provides a reconciliation of net sales for 2017 to 2018:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
2017 Net Sales	$ 7,387	$ 4,148	$ 502	$ 595	$ 12,632
Comparable Store Sales	(318)	256	(31)	6	(87)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(58)	67	93	(25)	77
Foreign Currency Translation	(4)	(5)	2	(3)	(10)
Direct Channels	181	165	28	13	387
Private Label Credit Card	187	—	—	—	187
International Wholesale, Royalty and Other	—	—	11	40	51
2018 Net Sales	$ 7,375	$ 4,631	$ 605	$ 626	$ 13,237

The following table compares 2018 comparable sales to 2017:

	2018	2017
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(2%)	(8%)
Bath & Body Works (b)	11%	5%
Total Comparable Sales	3%	(3%)
Comparable Store Sales (a)		
Victoria's Secret (b)	(6%)	(8%)
Bath & Body Works (b)	8%	2%
Total Comparable Store Sales	(1%)	(4%)

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales is calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2018 was calculated on a 52-to-52-week basis, and the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For 2018, net sales decreased $12 million to $7.375 billion; comparable sales decreased 2%; and comparable store sales decreased 6%. PINK comparable sales decreased in the mid-single digit range, primarily driven by merchandise performance in apparel and the exit of swim. Victoria's Secret Lingerie comparable sales decreased in the low-single digit range, primarily driven by declines in unconstructed and sport bras, due to merchandise performance and category resets, partially offset by increases in sleep and panties. Victoria's Secret Beauty comparable sales increased low-double digits, driven by the merchandise assortment. Additionally, net sales increased as a result of the change in presentation for income received from our Victoria's Secret private label credit card arrangement.

The decrease in comparable store sales was driven by lower average unit retail and reduced traffic.

Bath & Body Works

For 2018, net sales increased $483 million to $4.631 billion; comparable sales increased 11%; and comparable store sales increased 8%. Net sales increased in most categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and conversion.

Victoria's Secret and Bath & Body Works International

For 2018, net sales increased $103 million to $605 million due to new company-owned Victoria's Secret stores, direct channel growth in Greater China and additional stores opened by our partners.

Other

For 2018, net sales increased $31 million to $626 million primarily due to an increase in wholesale sales to our international partners, partially offset by a decline in La Senza as we divested this business on January 6, 2019.

Gross Profit

For 2018, our gross profit decreased $60 million to $4.899 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 37.0% from 39.3% primarily as a result of:

Victoria's Secret

For 2018, the gross profit decrease was driven by lower merchandise margin dollars related to the decrease in net sales, increased promotional activity to drive traffic and clear inventory, $70 million of store asset impairment charges related to certain stores in the U.S. and Canada and increased distribution and fulfillment expenses related to higher direct channel sales.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotional activity and the store asset impairment charges.

Bath & Body Works

For 2018, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales and reduced promotional activity, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate increase was driven by lower promotional activity.

Victoria's Secret and Bath & Body Works International

For 2018, the gross profit decrease was primarily driven by $31 million of store asset impairment charges related to certain Victoria's Secret stores in the U.K. and higher occupancy expenses due to investments in store real estate in Greater China, partially offset by increased merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners.

The gross profit rate decrease was driven by the store asset impairment charges and investments in store real estate.

General, Administrative and Store Operating Expenses

For 2018, our general, administrative and store operating expenses increased $332 million to $3.563 billion driven by the change in presentation for income received from our Victoria's Secret private label credit card arrangement, incremental wage investments, higher selling expenses related to higher sales volumes at Bath & Body Works and new company-owned stores in Greater China.

The general, administrative and store operating expense rate increased to 26.9% from 25.6% due to the presentation change for income received from our Victoria's Secret private label credit card and incremental wage investments.

Loss on Divestiture of La Senza

In 2018, we recognized a pre-tax loss on the sale of La Senza of $99 million, primarily related to the recognition of $45 million of accumulated translation adjustments, as well as the loss related to the transfer of the net working capital and long-lived store assets to the buyer.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2018 and 2017:

	2018	2017
Average daily borrowings (in millions)	$ 5,853	$ 5,827
Average borrowing rate (in percentages)	6.6%	7.0%

For 2018, our interest expense decreased $21 million to $385 million due to a lower average borrowing rate partially offset by higher average daily borrowings.

Other Income (Loss)

For 2018, our other income (loss) increased $15 million to $5 million of income primarily driven by a $45 million pre-tax loss on extinguishment of the 2019 Notes recognized in 2017, partially offset by fewer distributions received from our Easton investments and the negative impacts of foreign exchange.

Provision for Income Taxes

For 2018, our effective tax rate decreased to 24.9% from 25.1%. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation.

Results of Operations—Fourth Quarter of 2018 Compared to Fourth Quarter of 2017

We utilize the retail calendar for reporting. As such, the results for the fourth quarter of 2018 represent the 13-week period ended February 2, 2019, and the results for the fourth quarter of 2017 represent the 14-week period ended February 3, 2018.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2018 in comparison to the fourth quarter of 2017:

	Fourth Quarter		Operating Income Rate	
	2018	2017	2018	2017
	(in millions)			
Victoria’s Secret	$ 301	$ 457	11.9%	17.1%
Bath & Body Works	607	557	31.1%	31.0%
Victoria's Secret and Bath & Body Works International	19	4	9.8%	2.3%
Other (a)	(127)	(31)	(71.0%)	(16.1%)
Total Operating Income	$ 800	$ 987	16.5%	20.5%

(a) Includes Mast Global, Henri Bendel, Corporate and La Senza results prior to January 6, 2019.

For the fourth quarter of 2018, operating income decreased $187 million to $800 million, and the operating income rate decreased to 16.5% from 20.5%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2018 in comparison to the fourth quarter of 2017:

Fourth Quarter	2018	2017	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 1,849	$ 2,038	(9%)
Victoria's Secret Direct	683	631	8%
Total Victoria's Secret	2,532	2,669	(5%)
Bath & Body Works Stores (a)	1,626	1,545	5%
Bath & Body Works Direct	325	249	30%
Total Bath & Body Works	1,951	1,794	9%
Victoria's Secret and Bath & Body Works International	190	170	12%
Other (b)	179	190	(6%)
Total Net Sales	$ 4,852	$ 4,823	1%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Mast Global, Henri Bendel and La Senza results prior to January 6, 2019.

The following table provides a reconciliation of net sales for the fourth quarter of 2018 to the fourth quarter of 2017:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2017 Net Sales	$ 2,669	$ 1,794	$ 170	$ 190	$ 4,823
Comparable Store Sales	(135)	109	(7)	5	(28)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	(95)	(23)	23	(22)	(117)
Foreign Currency Translation	(4)	(5)	(5)	(3)	(17)
Direct Channels	29	76	7	6	118
Private Label Credit Card Income	68	—	—	—	68
International, Wholesale, Royalty and Other	—	—	2	3	5
2018 Net Sales	$ 2,532	$ 1,951	$ 190	$ 179	$ 4,852

The following table compares fourth quarter of 2018 comparable sales to fourth quarter of 2017:

Fourth Quarter	2018	2017
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(3%)	(1%)
Bath & Body Works (b)	12%	6%
Total Comparable Sales	3%	2%
Comparable Store Sales (a)		
Victoria's Secret (b)	(7%)	(6%)
Bath & Body Works (b)	8%	4%
Total Comparable Store Sales	(1%)	(2%)

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales are calculated on a comparable

calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2018 was calculated on a 13-to-13-week basis, and the percentage change in comparable sales for 2017 was calculated on a 14-to-14-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2018, net sales decreased $137 million to $2.532 billion; comparable sales decreased 3%; and comparable store sales decreased 7%. PINK comparable sales decreased in the low-double digit range, primarily driven by merchandise performance in apparel. Victoria's Secret Lingerie comparable sales were about flat, primarily driven by declines in intimate apparel, due to merchandise performance and category resets, offset by an increase in sleep. Victoria's Secret Beauty comparable sales increased in the mid-single digit range, driven by the merchandise assortment. Additionally, net sales increased as a result of the change in presentation for income received from our Victoria's Secret private label credit card arrangement.

The decrease in comparable store sales was driven by lower average unit retail and reduced traffic.

Bath & Body Works

For the fourth quarter of 2018, net sales increased $157 million to $1.951 billion; comparable sales increased 12%; and comparable store sales increased 8%. Net sales increased in most categories including home fragrance, body care and soaps and sanitizers, which incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average dollar sales and conversion.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2018, net sales increased $20 million to $190 million, due to new company-owned Victoria's Secret stores, direct channel growth in Greater China and additional stores opened by our partners. These increases were partially offset by a decline at Victoria's Secret U.K.

Other

For the fourth quarter of 2018, net sales decreased $11 million to $179 million due to declines in La Senza and Henri Bendel as we divested La Senza and closed Henri Bendel in the quarter.

Gross Profit

For the fourth quarter of 2018, our gross profit decreased $72 million to $1.968 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 40.6% from 42.3% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2018, the gross profit decrease was driven by lower merchandise margin dollars related to the decrease in net sales, increased promotional activity to drive traffic and clear inventory and due to $20 million of store asset impairment charges related to certain stores in the U.S.

The gross profit rate decrease was driven by a decline in the merchandise margin rate due to increased promotional activity and the store asset impairment charges.

Bath & Body Works

For the fourth quarter of 2018, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales and reduced promotional activity, partially offset by higher occupancy expenses due to higher distribution and fulfillment expenses related to higher direct channel sales and investments in store real estate.

The gross profit rate increase was driven by lower promotional activity.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2018, the gross profit increase was driven by higher merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners.

The gross profit rate increase was driven by buying and occupancy leverage on higher net sales.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2018, our general, administrative and store operating expenses increased $16 million to $1.069 billion primarily driven by the change in presentation for income received from our Victoria's Secret private label credit card arrangement, incremental wage investments and higher selling expenses related to higher sales volumes at Bath & Body Works, partially offset by lower selling expenses and fashion show costs at Victoria's Secret.

The general, administrative and store operating expense rate increased to 22.0% from 21.8% due to the presentation change for income received from our Victoria's Secret private label credit card and incremental wage investments.

Loss on Divestiture of La Senza

In the fourth quarter of 2018, we recognized a pre-tax loss on the sale of La Senza of $99 million, primarily related to the recognition of $45 million of accumulated translation adjustments, as well as the loss related to the transfer of the net working capital and long-lived store assets to the buyer.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2018 and 2017:

Fourth Quarter	2018	2017
Average daily borrowings (in millions)	$ 5,880	$ 5,893
Average borrowing rate (in percentages)	6.4%	6.9%

For the fourth quarter of 2018, our interest expense decreased $13 million to $93 million due to a lower average borrowing rate and lower average daily borrowings.

Other Income (Loss)

For the fourth quarter of 2018, our other income (loss) increased $42 million to $4 million of income primarily driven by a $45 million pre-tax loss on extinguishment of the 2019 Notes recognized in the fourth quarter of 2017.

Provision for Income Taxes

For the fourth quarter of 2018, our effective tax rate increased to 24.0% from 21.1%. The 2018 rate was lower than our combined estimated federal and state statutory rate primarily due to the tax effects of the divestiture of the La Senza business. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation.

Results of Operations—2017 Compared to 2016

We utilize the retail calendar for reporting. As such, the results for fiscal 2017 represent the 53-week period ended February 3, 2018, and the results for 2016 represent the 52-week period ended January 28, 2017. The extra week accounted for approximately $160 million in incremental net sales and an estimated $46 million in incremental operating income in 2017.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for 2017 in comparison to 2016:

			Operating Income Rate	
	2017	2016	2017	2016
	(in millions)			
Victoria’s Secret	$ 932	$ 1,173	12.6%	15.1%
Bath & Body Works	953	907	23.0%	23.6%
Victoria's Secret and Bath & Body Works International	5	40	1.0%	9.4%
Other (a)	(162)	(117)	(27.1%)	(22.6%)
Total Operating Income	$ 1,728	$ 2,003	13.7%	15.9%

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For 2017, operating income decreased $275 million to $1.728 billion, and the operating income rate decreased to 13.7% from 15.9%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for 2017 in comparison to 2016:

	2017	2016	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 5,879	$ 6,199	(5%)
Victoria's Secret Direct	1,508	1,582	(5%)
Total Victoria's Secret	7,387	7,781	(5%)
Bath & Body Works Stores (a)	3,589	3,400	6%
Bath & Body Works Direct	559	452	24%
Total Bath & Body Works	4,148	3,852	8%
Victoria's Secret and Bath & Body Works International	502	423	19%
Other (b)	595	518	15%
Total Net Sales	$ 12,632	$ 12,574	—%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for 2016 to 2017:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
2016 Net Sales	$ 7,781	$ 3,852	$ 423	$ 518	$ 12,574
Comparable Store Sales	(472)	73	(15)	(7)	(421)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	146	110	64	3	323
Foreign Currency Translation	6	6	(3)	5	14
Direct Channels	(74)	107	25	13	71
International Wholesale, Royalty and Other	—	—	8	63	71
2017 Net Sales	$ 7,387	$ 4,148	$ 502	$ 595	$ 12,632

The following table compares 2017 comparable sales to 2016:

	2017	2016
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(8%)	—%
Bath & Body Works (b)	5%	6%
Total Comparable Sales	(3%)	2%
Comparable Store Sales (a)		
Victoria's Secret (b)	(8%)	(1%)
Bath & Body Works (b)	2%	3%
Total Comparable Store Sales	(4%)	1%

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of

a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales are calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2017 was calculated on a 53-to-53-week basis, and the percentage change in comparable sales for 2016 was calculated on a 52-to-52-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For 2017, net sales decreased $394 million to $7.387 billion; comparable sales and comparable store sales both decreased 8%. Net sales decreased primarily due to strategic decisions to exit the swim and apparel categories, a decline in core bra sales and a decline in panties as we reposition the category. These results were partially offset by increases in PINK, sport and beauty driven by merchandise assortment that incorporated newness, innovation and fashion.

The decrease in comparable store sales was driven primarily by a decrease in total transactions due to reduced traffic, impacted significantly by the exit of certain categories.

Bath & Body Works

For 2017, net sales increased $296 million to $4.148 billion; comparable sales increased 5%; and comparable store sales increased 2%. Net sales increased in the home fragrance and body care categories, which incorporated newness, innovation and fashion.

The increase in comparable store sales was primarily driven by higher average unit retail.

Victoria's Secret and Bath & Body Works International

For 2017, net sales increased $79 million to $502 million primarily related to new company-owned Victoria's Secret stores and direct channel growth in Greater China and additional stores opened by our partners.

Other

For 2017, net sales increased $77 million to $595 million primarily due to an increase in wholesale sales to our international partners.

Gross Profit

For 2017, our gross profit decreased $166 million to $4.959 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 39.3% from 40.8% primarily as a result of:

Victoria's Secret

For 2017, the gross profit decrease was driven by lower merchandise margin dollars related to the decrease in net sales.

The gross profit rate decrease was driven by deleverage of buying and occupancy expenses on lower sales and a lower merchandise margin rate primarily due to increased promotional activity, partially offset by lower catalogue costs and other cost reductions.

Bath & Body Works

For 2017, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to investments in store real estate.

The gross profit rate decrease was driven by a decrease in the merchandise margin rate primarily due to increased promotional activity, mix of category sales and channel mix.

Victoria's Secret and Bath & Body Works International

For 2017, the gross profit increase was driven by increased merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners. These increases were partially offset by higher occupancy expenses due to investments in store real estate in Greater China and at Victoria's Secret U.K.

The gross profit rate decrease was driven by an increase in occupancy expenses due to investments in store real estate in Greater China and at Victoria's Secret U.K.

General, Administrative and Store Operating Expenses

For 2017, our general, administrative and store operating expenses increased $109 million to $3.231 billion primarily driven by an increase in marketing expenses due to increased direct mail at Victoria's Secret, higher selling expenses at Bath & Body Works and in Greater China due to the increase in net sales, and as a result of our investment in Greater China. These increases were partially offset by lower selling expenses related to lower sales volumes at Victoria's Secret and severance charges recorded in the first quarter of 2016 related to the Victoria's Secret restructuring.

The general, administrative and store operating expense rate increased to 25.6% from 24.8% primarily due to increased marketing expenses.

Other Income and Expenses

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for 2017 and 2016:

	2017	2016
Average daily borrowings (in millions)	$ 5,827	$ 5,827
Average borrowing rate (in percentages)	7.0%	6.8%

For 2017, our interest expense increased $12 million to $406 million due to a higher average borrowing rate and the impact of the extra week in 2017.

Other Income (Loss)

For 2017, our other income (loss) decreased $97 million to a $10 million loss. Activity in 2016 included a distribution received from Easton Town Center, LLC resulting in a pre-tax gain of $108 million, partially offset by a $36 million pre-tax loss on extinguishment of the 2017 Notes. In 2017, we recognized a $45 million pre-tax loss on extinguishment of the 2019 Notes, partially offset by gains related to distributions from certain of our Easton investments.

Provision for Income Taxes

For 2017, our effective tax rate decreased to 25.1% from 31.7%. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation. The 2016 rate was lower than our combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters.

Results of Operations—Fourth Quarter of 2017 Compared to Fourth Quarter of 2016

We utilize the retail calendar for reporting. As such, the results for the fourth quarter of 2017 represent the 14-week period ended February 3, 2018, and the results for the fourth quarter of 2016 represent the 13-week period ended January 28, 2017. The extra week accounted for approximately $160 million in incremental net sales and an estimated $46 million in incremental operating income in 2017.

Operating Income

The following table provides our segment operating income (loss) and operating income rates (expressed as a percentage of net sales) for the fourth quarter of 2017 in comparison to the fourth quarter of 2016:

	Fourth Quarter		Operating Income Rate	
	2017	2016	2017	2016
	(in millions)			
Victoria’s Secret	$ 457	$ 494	17.1%	19.1%
Bath & Body Works	557	502	31.0%	31.0%
Victoria's Secret and Bath & Body Works International	4	10	2.3%	8.3%
Other (a)	(31)	(18)	(16.1%)	(11.7%)
Total Operating Income	$ 987	$ 988	20.5%	22.0%

(a) Includes Mast Global, La Senza, Henri Bendel and Corporate.

For the fourth quarter of 2017, operating income decreased $1 million to $987 million, and the operating income rate decreased to 20.5% from 22.0%. The drivers of the operating income results are discussed in the following sections.

Net Sales

The following table provides net sales for the fourth quarter of 2017 in comparison to the fourth quarter of 2016:

Fourth Quarter	2017	2016	% Change
	(in millions)		
Victoria's Secret Stores (a)	$ 2,038	$ 2,063	(1%)
Victoria's Secret Direct	631	526	20%
Total Victoria's Secret	2,669	2,589	3%
Bath & Body Works Stores (a)	1,545	1,422	9%
Bath & Body Works Direct	249	198	26%
Total Bath & Body Works	1,794	1,620	11%
Victoria's Secret and Bath & Body Works International	170	124	37%
Other (b)	190	156	21%
Total Net Sales	$ 4,823	$ 4,489	7%

(a) Includes company-owned stores in the U.S. and Canada.
(b) Includes Mast Global, La Senza, Henri Bendel and Corporate.

The following table provides a reconciliation of net sales for the fourth quarter of 2017 to the fourth quarter of 2016:

Fourth Quarter	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
2016 Net Sales	$ 2,589	$ 1,620	$ 124	$ 156	$ 4,489
Comparable Store Sales	(116)	52	(8)	(2)	(74)
Sales Associated with New, Closed and Non-comparable Remodeled Stores, Net	87	66	24	3	180
Foreign Currency Translation	4	5	5	3	17
Direct Channels	105	51	14	6	176
International, Wholesale, Royalty and Other	—	—	11	24	35
2017 Net Sales	$ 2,669	$ 1,794	$ 170	$ 190	$ 4,823

The following table compares fourth quarter of 2017 comparable sales to fourth quarter of 2016:

Fourth Quarter	2017	2016
Comparable Sales (Stores and Direct) (a)		
Victoria's Secret (b)	(1%)	(3%)
Bath & Body Works (b)	6%	5%
Total Comparable Sales	2%	—%
Comparable Store Sales (a)		
Victoria's Secret (b)	(6%)	(2%)
Bath & Body Works (b)	4%	2%
Total Comparable Store Sales	(2%)	—%

(a) The percentage change in comparable sales represents direct and comparable store sales. The percentage change in comparable store sales represents the change in sales at comparable stores only and excludes the change in sales from our direct channels. A store is typically included in the calculation of comparable sales when it has been open or owned 12 months or more and it has not had a change in selling square footage of 20% or more. Additionally, stores of a given brand are excluded if total selling square footage for the brand in the mall changes by 20% or more through the opening or closing of a second store. The percentage change in comparable sales are calculated on a comparable calendar period as opposed to a fiscal basis. Therefore, the percentage change in comparable sales for 2017 was

calculated on a 14-to-14-week basis, and the percentage change in comparable sales for 2016 was calculated on a 13-to-13-week basis. Comparable sales attributable to our international stores are calculated on a constant currency basis.

(b) Includes company-owned stores in the U.S. and Canada.

The results by segment are as follows:

Victoria's Secret

For the fourth quarter of 2017, net sales increased $80 million to $2.669 billion; comparable sales decreased 1%; and comparable store sales decreased 6%. Net sales increased in PINK, beauty and sport apparel driven by merchandise assortment that incorporated newness, innovation and fashion. These results were partially offset by a decrease in lingerie sales driven by a decline in unconstructed and sport bra performance.

The decrease in comparable store sales was driven primarily by lower traffic and lower average unit retail.

Bath & Body Works

For the fourth quarter of 2017, net sales increased $174 million to $1.794 billion; comparable sales increased 6%; and comparable store sales increased 4%. Net sales increased in the home fragrance and body care categories, which incorporated newness, innovation and fashion.

The increase in comparable store sales was driven by higher average unit retail.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2017, net sales increased $46 million to $170 million, primarily related to new company-owned Victoria's Secret stores and direct channel growth in Greater China and additional stores opened by our partners.

Other

For the fourth quarter of 2017, net sales increased $34 million to $190 million primarily due to an increase in wholesale sales to our international partners.

Gross Profit

For the fourth quarter of 2017, our gross profit increased $96 million to $2.040 billion, and our gross profit rate (expressed as a percentage of net sales) decreased to 42.3% from 43.3% primarily as a result of:

Victoria's Secret

For the fourth quarter of 2017, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by an increase in distribution and fulfillment expenses related to higher direct channel sales.

The gross profit rate decrease was driven by a decrease in the merchandise margin rate primarily due to increased promotional activity.

Bath & Body Works

For the fourth quarter of 2017, the gross profit increase was driven by higher merchandise margin dollars related to the increase in net sales, partially offset by higher occupancy expenses due to investments in store real estate and distribution and fulfillment expenses related to higher direct channel sales.

The gross profit rate decrease was driven by a decrease in the merchandise margin rate primarily due to increased promotional activity, partially offset by leverage of buying and occupancy expenses on higher sales.

Victoria's Secret and Bath & Body Works International

For the fourth quarter of 2017, the gross profit increase was driven by increased merchandise margin dollars related to higher net sales in Greater China and additional stores opened by our partners, partially offset by higher occupancy expenses due to investments in store real estate in Greater China and at Victoria's Secret U.K.

The gross profit rate decrease was driven by an increase in occupancy expenses due to investments in store real estate in Greater China and at Victoria's Secret U.K.

General, Administrative and Store Operating Expenses

For the fourth quarter of 2017, our general, administrative and store operating expenses increased $97 million to $1.053 billion driven by higher selling expenses due to higher sales volumes and an increase in marketing expenses primarily due to increased direct mail at Victoria's Secret.

The general, administrative and store operating expense rate increased to 21.8% from 21.3% primarily due to increased marketing expenses.

Other Income and Expense

Interest Expense

The following table provides the average daily borrowings and average borrowing rates for the fourth quarter of 2017 and 2016:

Fourth Quarter	2017	2016
Average daily borrowings (in millions)	$ 5,893	$ 5,779
Average borrowing rate (in percentages)	6.9%	6.9%

For the fourth quarter of 2017, our interest expense increased $8 million to $106 million due to the impact of the extra week in 2017 and an increase in average daily borrowings.

Other Income (Loss)

For the fourth quarter of 2017, our other income (loss) decreased $42 million to a $38 million loss primarily driven by a $45 million pre-tax loss on extinguishment of the 2019 Notes.

Provision for Income Taxes

For the fourth quarter of 2017, our effective tax rate decreased to 21.1% from 29.2%. The 2017 rate was lower than our combined estimated federal and state statutory rate primarily due to the benefit related to changes in U.S. tax legislation. The 2016 rate was lower than our combined estimated federal and state statutory rate primarily due to the resolution of certain tax matters.

FINANCIAL CONDITION

Liquidity and Capital Resources

Liquidity, or access to cash, is an important factor in determining our financial stability. We are committed to maintaining adequate liquidity. Cash generated from our operating activities provides the primary resources to support current operations, growth initiatives, seasonal funding requirements and capital expenditures. Our cash provided from operations is impacted by our net income and working capital changes. Our net income is impacted by, among other things, sales volume, seasonal sales patterns, success of new product introductions, profit margins and income taxes. Historically, sales are higher during the fourth quarter of the fiscal year due to seasonal and holiday-related sales patterns. Generally, our need for working capital peaks during the summer and fall months as inventory builds in anticipation of the holiday period. The majority of our cash and cash equivalents were held by domestic subsidiaries as of February 2, 2019. Our cash and cash equivalents held by foreign subsidiaries were $413 million as of February 2, 2019.

We are committed to returning value to our shareholders. During 2018, we paid $666 million in dividends and repurchased $196 million of our common stock. We use cash flow generated from operating and financing activities to fund our dividends and share repurchase programs.

The following table provides our outstanding debt balance, net of unamortized debt issuance costs and discounts, as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Senior Debt with Subsidiary Guarantee		
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 (“2035 Notes”)	$ 990	$ 990
$956 million, 5.625% Fixed Interest Rate Notes due February 2022 (“2022 Notes”)	952	994
$780 million, 6.625% Fixed Interest Rate Notes due April 2021 (“2021 Notes”)	776	994
$700 million, 6.75% Fixed Interest Rate Notes due July 2036 (“2036 Notes”)	693	693
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 (“2023 Notes”)	498	497
$500 million, 5.25% Fixed Interest Rate Notes due February 2028 (“2028 Notes”)	496	495
$338 million, 7.00% Fixed Interest Rate Notes due May 2020 (“2020 Notes”)	337	398
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	273	—
Secured Foreign Facilities	91	1
Total Senior Debt with Subsidiary Guarantee	$ 5,106	$ 5,062
Senior Debt		
$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 (“2033 Notes”)	$ 348	$ 348
$300 million, 7.60% Fixed Interest Rate Notes due July 2037 (“2037 Notes”)	297	297
Unsecured Foreign Facilities	60	87
Total Senior Debt	$ 705	$ 732
Total	$ 5,811	$ 5,794
Current Debt	(72)	(87)
Total Long-term Debt, Net of Current Portion	$ 5,739	$ 5,707

Exchange of Notes

In June 2018, we completed private offers to exchange $62 million, $220 million and $44 million of outstanding 2020 Notes, 2021 Notes and 2022 Notes, respectively, for $297 million of newly issued 6.694% notes due in January 2027 and $52 million in cash consideration, which included a $24 million exchange premium. The exchange was treated as a modification under ASC 470, *Debt*, and no gain or loss was recognized. The exchange premium will be amortized through the maturity date of January 2027 and is included within Long-term Debt on the February 2, 2019 Consolidated Balance Sheet. The obligation to pay principal and interest on the 2027 Notes is jointly and severally guaranteed on a full and unconditional basis by certain of our 100% owned subsidiaries (the “Guarantors”).

Issuance of Notes

In January 2018, we issued $500 million of 5.25% notes due in February 2028. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $495 million, which were net of issuance costs of $5 million. These issuance costs are being amortized through the maturity date of February 2028 and are included within Long-term Debt on the Consolidated Balance Sheets.

Redemption of Notes

In January 2018, we used the proceeds from the 2028 Notes to redeem the $500 million 2019 Notes for $540 million. In the fourth quarter of 2017, we recognized a pre-tax loss on extinguishment of this debt of $45 million (after-tax loss of $29 million), which includes write-offs of unamortized issuance costs and discounts and losses related to terminated interest rate swaps associated with the 2019 Notes. This loss is included in Other Income (Loss) in the 2017 Consolidated Statement of Income.

Secured Revolving Facility

We and the Guarantors guarantee and pledge collateral to secure a revolving credit facility ("Secured Revolving Facility"). The Secured Revolving Facility has aggregate availability of $1 billion and expires in May 2022. The Secured Revolving Facility allows us and certain of our non-U.S. subsidiaries to borrow and obtain letters of credit in U.S. dollars, Canadian dollars, Euros, Hong Kong dollars or British pounds.

The Secured Revolving Facility fees related to committed and unutilized amounts are 0.25% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings is the

London Interbank Offered Rate ("LIBOR") plus 1.50% per annum. The interest rate on outstanding foreign denominated borrowings is the applicable benchmark rate plus 1.50% per annum.

The Secured Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. We are required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Secured Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment, the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of February 2, 2019, we were in compliance with both of our financial covenants, and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

During 2018, we borrowed, and made payments of, $92 million under the Secured Revolving Facility. As of February 2, 2019, there were no borrowings outstanding under the Secured Revolving Facility.

The Secured Revolving Facility supports our letter of credit program. We had $9 million of outstanding letters of credit as of February 2, 2019 that reduced our remaining availability under the Secured Revolving Facility.

Secured Foreign Facilities

We and the Guarantors guarantee and pledge collateral to secure revolving and term loan bank facilities ("Secured Foreign Facilities") used by certain of our Greater China subsidiaries to support their operations. The Secured Foreign Facilities, which allow borrowings in U.S. dollars and Chinese Yuan, have availability totaling $100 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. During 2018, we borrowed $107 million and made payments of $17 million under the Secured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2018 was $99 million. Borrowings on the Secured Foreign Facilities mature between February 2019 and May 2022. As of February 2, 2019, borrowings of $12 million are included within Current Debt on the Consolidated Balance Sheet and the remaining borrowings are included within Long-term Debt.

Unsecured Foreign Facilities

We guarantee unsecured revolving and term loan bank facilities ("Unsecured Foreign Facilities") used by certain of our Greater China subsidiaries to support their operations. The Unsecured Foreign Facilities, which allow borrowings in U.S. dollars and Chinese Yuan, have availability totaling $100 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. During 2018, we borrowed $65 million and made payments of $92 million under the Unsecured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2018 was $90 million. Borrowings on the Unsecured Foreign Facilities mature between March 2019 and December 2019. As of February 2, 2019, borrowings of $60 million are included within Current Debt on the Consolidated Balance Sheet.

Working Capital and Capitalization

We believe that our available short-term and long-term capital resources are sufficient to fund foreseeable requirements.

The following table provides a summary of our working capital position and capitalization as of February 2, 2019, February 3, 2018 and January 28, 2017:

	February 2, 2019	February 3, 2018	January 28, 2017
		(in millions)	
Net Cash Provided by Operating Activities	$ 1,377	$ 1,406	$ 1,990
Capital Expenditures	629	707	990
Working Capital	1,274	1,262	1,451
Capitalization:			
Long-term Debt	5,739	5,707	5,700
Shareholders' Equity (Deficit)	(869)	(753)	(729)
Total Capitalization	$ 4,870	$ 4,954	$ 4,971
Remaining Amounts Available Under Credit Agreements (a)	$ 991	$ 991	$ 992

(a) Letters of credit issued reduce our remaining availability under the Secured Revolving Facility. We had outstanding letters of credit that reduce our remaining availability under the Secured Revolving Facility of $9 million as of February 2, 2019 and February 3, 2018, and $8 million as of January 28, 2017.

The following table provides certain measures of liquidity and capital resources as of February 2, 2019, February 3, 2018 and January 28, 2017:

	February 2, 2019	February 3, 2018	January 28, 2017
Debt-to-capitalization Ratio (a)	118%	115%	115%
Cash Flow to Capital Investment	219%	199%	201%

(a) Long-term debt divided by total capitalization.

Credit Ratings

Our borrowing costs under our Secured Revolving Facility and Secured Foreign Facilities are linked to our credit ratings. If we receive an upgrade or downgrade to our corporate credit ratings, the borrowing costs could decrease or increase, respectively. The guarantees of our obligations under the Secured Revolving Facility and Secured Foreign Facilities by the Guarantors and the security interests granted in our and the Guarantors' collateral securing such obligations are released if our credit ratings are higher than a certain level. Additionally, the restrictions imposed under the Secured Revolving Facility and Secured Foreign Facilities on our ability to make investments and to make restricted payments cease to apply if our credit ratings are higher than certain levels. Credit rating downgrades by any of the agencies do not accelerate the repayment of any of our debt.

The following table provides our credit ratings as of February 2, 2019:

	Moody's	S&P
Corporate	Ba1	BB
Senior Unsecured Debt with Subsidiary Guarantee	Ba1	BB
Senior Unsecured Debt	Ba2	B+
Outlook	Stable	Negative

Common Stock Share Repurchases

Our Board of Directors will determine share repurchase authorizations giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our share repurchase programs. The timing and amount of any repurchases will be made at our discretion, taking into account a number of factors, including market conditions.

Under the authority of our Board of Directors, we repurchased shares of our common stock under the following repurchase programs during fiscal 2018, 2017 and 2016:

		Shares Repurchased			Amount Repurchased			
Repurchase Program	Amount Authorized	2018	2017	2016	2018	2017	2016	Average Stock Price of Shares Repurchased within Program
	(in millions)	(in thousands)			(in millions)			
March 2018	$ 250	4,852	NA	NA	$ 171	NA	NA	$ 35.29
September 2017	250	527	3,858	NA	25	$ 202	NA	$ 51.72
February 2017	250	NA	5,500	NA	NA	240	NA	$ 43.57
February 2016	500	NA	51	5,719	NA	3	$ 438	$ 76.47
Total		5,379	9,409	5,719	$ 196	$ 445	$ 438	

In March 2018, our Board of Directors approved a new $250 million share repurchase program, which included the $23 million remaining under the September 2017 repurchase program.

In September 2017, our Board of Directors approved a $250 million share repurchase program, which included the $10 million remaining under the February 2017 repurchase program.

In February 2017, our Board of Directors approved a $250 million share repurchase program, which included the $59 million remaining under the February 2016 repurchase program.

In February 2016, our Board of Directors approved a $500 million share repurchase program, which included the $17 million remaining under the June 2015 repurchase program.

The March 2018 repurchase program had $79 million remaining as of February 2, 2019.

There were $2 million of share repurchases reflected in Accounts Payable on the February 3, 2018 Consolidated Balance Sheet.

Treasury Stock Retirement

In November 2017, we retired 36 million shares of our treasury stock. The retirement resulted in a reduction of $2.036 billion in Treasury Stock, $18 million in the par value of Common Stock, $82 million in Paid-in Capital and $1.936 billion in Retained Earnings.

Dividend Policy and Procedures

Our Board of Directors will determine future dividends after giving consideration to our levels of profit and cash flow, capital requirements, current and forecasted liquidity, the restrictions placed upon us by our borrowing arrangements as well as financial and other conditions existing at the time. We use cash flow generated from operating and financing activities to fund our dividends and share repurchase programs.

Under the authority and declaration of our Board of Directors, we paid the following dividends during fiscal 2018, 2017 and 2016:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2018				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 166
Third Quarter	0.60	—	0.60	165
Second Quarter	0.60	—	0.60	167
First Quarter	0.60	—	0.60	168
2018 Total	$ 2.40	$ —	$ 2.40	$ 666
2017				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 170
Third Quarter	0.60	—	0.60	172
Second Quarter	0.60	—	0.60	172
First Quarter	0.60	—	0.60	172
2017 Total	$ 2.40	$ —	$ 2.40	$ 686
2016				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 172
Third Quarter	0.60	—	0.60	173
Second Quarter	0.60	—	0.60	173
First Quarter	0.60	2.00	2.60	750
2016 Total	$ 2.40	$ 2.00	$ 4.40	$ 1,268

In November 2018, our Board of Directors reduced our annual ordinary dividend to $1.20 per share from $2.40 per share, beginning with the quarterly dividend paid in March 2019.

Subsequent to February 2, 2019, our Board of Directors declared the first quarter of 2019 ordinary dividend of $0.30 per share.

Cash Flow

The following table provides a summary of our cash flow activity for the fiscal years ended February 2, 2019, February 3, 2018 and January 28, 2017:

	2018	2017	2016
		(in millions)	
Cash and Cash Equivalents, Beginning of Year	$ 1,515	$ 1,934	$ 2,548
Net Cash Flows Provided by Operating Activities	1,377	1,406	1,990
Net Cash Flows Used for Investing Activities	(609)	(698)	(833)
Net Cash Flows Used for Financing Activities	(872)	(1,127)	(1,765)
Effects of Exchange Rate Changes on Cash	2	—	(6)
Net Decrease in Cash and Cash Equivalents	(102)	(419)	(614)
Cash and Cash Equivalents, End of Year	$ 1,413	$ 1,515	$ 1,934

Operating Activities

Net cash provided by operating activities in 2018 was $1.377 billion, including net income of $644 million. Net income included depreciation of $590 million, long-lived store asset impairment charges of $101 million, loss on divestiture of La Senza of $99 million, share-based compensation expense of $97 million and deferred income tax benefit of $52 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow of $113 million associated with a decrease in income taxes payable.

Net cash provided by operating activities in 2017 was $1.406 billion, including net income of $983 million. Net income included depreciation of $571 million, deferred income tax benefit of $108 million, share-based compensation expense of $102 million, loss on extinguishment of debt of $45 million and gains on distributions from Easton investments of $20 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was a decrease in operating cash flow of $137 million associated with an increase in inventory.

Net cash provided by operating activities in 2016 was $1.990 billion, including net income of $1.158 billion. Net income included depreciation of $518 million, deferred income tax expense of $110 million, gains on distributions from Easton investments of $112 million, share-based compensation expense of $96 million and loss on extinguishment of debt of $36 million. Other changes in assets and liabilities represent items that had a current period cash flow impact, such as changes in working capital. The most significant item in working capital was an increase in operating cash flow of $117 million associated with an increase in income taxes payable.

Investing Activities

Net cash used for investing activities in 2018 was $609 million consisting primarily of $629 million of capital expenditures partially offset by a $16 million return of capital from Easton investments. The capital expenditures included $487 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2017 was $698 million consisting primarily of $707 million of capital expenditures and purchase of marketable securities of $10 million, partially offset by a $29 million return of capital from Easton investments. The capital expenditures included $601 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

Net cash used for investing activities in 2016 was $833 million consisting primarily of $990 million of capital expenditures and $33 million related to the acquisition of our Victoria's Secret Beauty and Accessories franchise partner's operations and stores in Greater China (net of cash acquired), partially offset by a $119 million return of capital from Easton investments, proceeds from the sale of assets of $53 million and proceeds from the sale of marketable securities of $10 million. The capital expenditures included $772 million for opening new stores and remodeling and improving existing stores. Remaining capital expenditures were primarily related to spending on technology and infrastructure to support growth.

We anticipate spending approximately $600 million for capital expenditures in 2019 relating to remodeling and improving existing stores and opening new stores, as well as investments in technology and logistics for initiatives supporting our direct businesses and other retail capabilities.

Financing Activities

Net cash used for financing activities in 2018 was $872 million consisting primarily of quarterly dividend payments totaling $2.40 per share, or $666 million, payments for repurchases of common stock of $198 million and payment of long-term debt related to our exchange of notes of $52 million, partially offset by $63 million of net new borrowings under our foreign facilities.

Net cash used for financing activities in 2017 was $1.127 billion consisting primarily of quarterly dividend payments totaling $2.40 per share, or $686 million, $540 million to redeem our 2019 Notes, repurchases of common stock of $446 million and tax payments related to share-based awards of $32 million. These were partially offset by the net proceeds of $495 million from the 2028 Notes issuance, $52 million of net new borrowings under our foreign facilities and proceeds from the exercise of stock options of $38 million.

Net cash used for financing activities in 2016 was $1.765 billion consisting primarily of quarterly and special dividend payments totaling $4.40 per share, or $1.268 billion, $742 million to redeem our 2017 Notes, repurchases of common stock of $435 million and tax payments related to share-based awards of $58 million. These were partially offset by the net proceeds of $692 million from the 2036 Notes issuance, $29 million of net new borrowings under our foreign facilities and proceeds from the exercise of stock options of $20 million.

Contingent Liabilities and Contractual Obligations

The following table provides our contractual obligations, aggregated by type, including the maturity profile as of February 2, 2019:

	Payments Due by Period					
	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years	Other
	(in millions)					
Long-term Debt (a)	$ 9,532	$ 439	$ 1,793	$ 2,020	$ 5,280	$ —
Operating Lease Obligations (b)	4,808	698	1,306	1,066	1,738	—
Purchase Obligations (c)	1,165	1,110	48	5	2	—
Other Liabilities (d)	462	92	14	5	31	320
Total	$ 15,967	$ 2,339	$ 3,161	$ 3,096	$ 7,051	$ 320

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(a) Long-term debt obligations relate to our principal and interest payments for outstanding notes and debentures. Interest payments have been estimated based on the coupon rate for fixed rate obligations. Interest obligations exclude amounts which have been accrued through February 2, 2019. For additional information, see Note 13 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(b) Operating lease obligations primarily represent minimum payments due under store lease agreements. For additional information, see Note 17 to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

(c) Purchase obligations primarily include purchase orders for merchandise inventory and other agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions.

(d) Other liabilities primarily include future payments relating to our nonqualified supplemental retirement plan of $278 million which have been reflected under "Other" as the timing of these future payments is not known until an associate leaves the Company or otherwise requests an in-service distribution. Other liabilities also include future estimated payments associated with unrecognized tax benefits. The "Less Than 1 Year" category includes $84 million of these tax items because it is reasonably possible that the amounts could change in the next 12 months due to audit settlements or resolution of uncertainties. The remaining portion totaling $42 million is included in the "Other" category as it is not reasonably possible that the amounts could change in the next 12 months. In addition, we have a remaining liability of $31 million related to the deemed repatriation tax on our undistributed foreign earnings resulting from the Tax Cuts and Jobs Act. The tax liability will be paid over the next seven years. For additional information, see Note 12 to the Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data.

In connection with the sale of La Senza, we have remaining guarantees of $76 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to

the disposition of the business. We recognized an initial liability of $5 million representing the estimated fair value of our obligation as guarantor in accordance with ASC 460, *Guarantees.*

In connection with the disposition of a certain other business, we have remaining guarantees of $6 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2021. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. In certain instances, our guarantee may remain in effect if the term of a lease is extended. We have not recorded a liability with respect to these guarantee obligations as of February 2, 2019 or February 3, 2018 as we concluded that payments under these guarantees were not probable.

In connection with noncancelable operating leases of certain assets, we provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire at various dates through 2021, and the total amount of the guarantees is $94 million. We recorded a liability of $11 million and $3 million related to these guarantee obligations as of February 2, 2019 and February 3, 2018, respectively, which are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

Off Balance Sheet Arrangements

We have no off balance sheet arrangements as defined by Regulation 229.303 Item 303 (a) (4).

Recently Issued Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASC 606, *Revenue from Contracts with Customers*, which was further clarified and amended in 2015 and 2016. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted the standard in the first quarter of 2018 under the modified retrospective approach. Under the standard, income from the Victoria's Secret private label credit card arrangement, which was historically presented as a reduction to General, Administrative and Store Operating Expenses, is presented as revenue. Further, historical accounting related to loyalty points earned under the Victoria's Secret customer loyalty program changed as we now defer revenue associated with customer loyalty points until the points are redeemed using a relative stand-alone selling price method. The standard also changed accounting for sales returns which requires balance sheet presentation on a gross basis.

In the first quarter of 2018, we recorded a cumulative catch-up adjustment resulting in a reduction to opening retained earnings, net of tax, of $28 million. The cumulative adjustment primarily related to the deferral of revenue related to outstanding points, net of estimated forfeitures, under the Victoria's Secret customer loyalty program. In addition, Net Sales and General, Administrative and Store Operating Expenses both increased $187 million in the 2018 Consolidated Statement of Income. Further, gross presentation of our sales return reserve resulted in a $5 million increase in Other Current Assets and Accrued Expenses and Other on the February 2, 2019 Consolidated Balance Sheet.

Fair Value of Financial Instruments

In January 2016, the FASB issued ASC 321, *Investments - Equity Securities*, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The standard requires the recognition of changes in the fair value of marketable equity securities in net income as compared to historical treatment in accumulated other comprehensive income on the balance sheet. We adopted the standard in the first quarter of 2018 and recorded an increase to opening retained earnings, net of tax, of $2 million.

Leases

In February 2016, the FASB issued ASC 842, *Leases*, which is effective beginning in fiscal 2019 and requires companies classified as lessees to account for most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The standard also will result in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing leases. In July 2018, the FASB approved an amendment to the standard that provides companies a transition option that would not require earlier periods to be restated upon adoption.

We will adopt the standard in the first quarter of 2019 and apply the standard prospectively as of the adoption date. As allowed by the new standard, we elected the package of transition practical expedients but have elected to not apply the hindsight practical expedient to our leases at transition.

Substantially all of our leases, including our retail store locations, are subject to operating lease accounting under the new standard. We expect to recognize right-of-use assets of approximately $3.3 billion and related lease liabilities of approximately $3.7 billion on our Consolidated Balance Sheet upon adoption at the beginning of fiscal 2019. These balances will change as our lease portfolio changes due to execution of lease modifications or new leases. The right-of-use assets are based upon the lease liabilities adjusted for deferred rent liabilities and unamortized landlord construction allowances. We will continue to recognize rent expense in the Consolidated Statements of Income on a straight-line basis over the lease term.

Hedging Activities

In August 2017, the FASB issued Accounting Standards Update ("ASU") 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which is intended to better align risk management activities and financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. We will adopt the standard in the first quarter of fiscal 2019. We do not expect this standard to have a material impact on our consolidated results of operations, financial position or cash flows.

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill. The standard eliminates the second step from the goodwill impairment test, which requires a hypothetical purchase price allocation to determine the implied fair value of goodwill. Under the new standard, the goodwill impairment charge will be the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This guidance will be effective beginning in fiscal 2020, with early adoption permitted. We do not expect this standard to have a material impact on our consolidated results of operations, financial position or cash flows.

Impact of Inflation

While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on the results of operations and financial condition have been minor.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to adopt accounting policies related to estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. On an ongoing basis, management evaluates its accounting policies, estimates and judgments, including those related to inventories, long-lived assets, claims and contingencies, income taxes and revenue recognition. Management bases our estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Management has discussed the development and selection of our critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the following assumptions and estimates are most significant to reporting our results of operations and financial position.

Inventories

Inventories are principally valued at the lower of cost or net realizable value, on a weighted-average cost basis.

We record valuation adjustments to our inventories if the cost of inventory on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. These estimates are based on management’s judgment regarding future demand and market conditions and analysis of historical experience. If actual demand or market conditions are different than those projected by management, future period merchandise margin rates may be unfavorably or favorably affected by adjustments to these estimates.

We also record inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management’s analysis of historical results and operating trends.

Management believes that the assumptions used in these estimates are reasonable and appropriate. A 10% increase or decrease in the inventory valuation adjustment would have impacted net income by approximately $5 million for 2018. A 10% increase

or decrease in the estimated physical inventory loss adjustment would have impacted net income by approximately $5 million for 2018.

Valuation of Long-lived Assets

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset or asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset or asset group. When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the fair value of each reporting unit's fair value to its carrying value (including goodwill). If we determine that the fair value of a reporting unit is less than its carrying value, we then estimate the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, we recognize an impairment charge equal to the difference. Our reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*. Our reporting units that have goodwill are Victoria's Secret, Bath & Body Works and Greater China.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. We have the option to either first perform a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, we will estimate the fair value, usually determined by the estimated discounted future cash flows of the asset, and compare that value with its carrying amount. If the carrying value of the intangible asset exceeds the fair value, we recognize an impairment charge equal to the difference.

We estimate the fair value of property and equipment, goodwill and intangible assets in accordance with the provisions of ASC 820, *Fair Value Measurement*. If future economic conditions are different than those projected by management, future impairment charges may be required.

Claims and Contingencies

We are subject to various claims and contingencies related to lawsuits, insurance, regulatory and other matters arising out of the normal course of business. Our determination of the treatment of claims and contingencies in the Consolidated Financial Statements is based on management’s view of the expected outcome of the applicable claim or contingency. We consult with legal counsel on matters related to litigation and seek input from both internal and external experts with respect to matters in the ordinary course of business. We accrue a liability if the likelihood of an adverse outcome is probable and the amount is reasonably estimable. If the likelihood of an adverse outcome is only reasonably possible (as opposed to probable) or if an estimate is not reasonably determinable, disclosure of a material claim or contingency is disclosed in the Notes to the Consolidated Financial Statements included in Item 8. Financial Statements and Supplementary Data.

Income Taxes

We account for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in our Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

Significant judgment is required in determining the provision for income taxes and related accruals, deferred tax assets and liabilities. In determining our provision for income taxes, we consider permanent differences between book and tax income and statutory income tax rates. Our effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

We follow the authoritative guidance included in ASC 740, *Income Taxes*, which contains a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes. Our policy is to include interest and penalties related to uncertain tax positions in income tax expense.

Our income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which we have established an accrual is audited and fully resolved or clarified. We adjust our tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from our established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Revenue Recognition

In the first quarter of 2018, we adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach.

We recognize revenue based on the amount we expect to receive when control of the goods or services is transferred to our customer. We recognize sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by our customer based on shipping terms and historical delivery times. Our shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in our Consolidated Statements of Income. We also provide a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

We offer certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. We allocate revenue to points earned on qualifying purchases and defer recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

We sell gift cards with no expiration dates to customers. We do not charge administrative fees on unused gift cards. We recognize revenue from gift cards when they are redeemed by the customer. In addition, we recognize revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. We determine the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in our Consolidated Statements of Income.

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is recognized over the term of the license arrangement and is included in Net Sales in our 2018 Consolidated Statement of Income.

We also recognize revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Market Risk

The market risk inherent in our financial instruments represents the potential loss in fair value, earnings or cash flows arising from adverse changes in foreign currency exchange rates or interest rates. We may use derivative financial instruments like foreign currency forward contracts, cross-currency swaps and interest rate swap arrangements to manage exposure to market risks. We do not use derivative financial instruments for trading purposes.

Foreign Exchange Rate Risk

We have operations in foreign countries which expose us to market risk associated with foreign currency exchange rate fluctuations. Our Canadian dollar, British pound, Chinese Yuan, Hong Kong dollar and Euro denominated earnings are subject to exchange rate risk as substantially all our merchandise sold in Canada, the U.K., Ireland and Greater China is sourced

through U.S. dollar transactions. Although we utilize foreign currency forward contracts to partially offset risks associated with Canadian dollar and British pound denominated earnings, these measures may not succeed in offsetting all the short-term impact of foreign currency rate movements and generally may not be effective in offsetting the long-term impact of sustained shifts in foreign currency rates.

Further, although our royalty arrangements with our international partners are denominated in U.S. dollars, the royalties we receive in U.S. dollars are calculated based on sales in the local currency. As a result, our royalties in these arrangements are exposed to foreign currency exchange rate fluctuations.

Interest Rate Risk

Our investment portfolio primarily consists of interest-bearing instruments that are classified as cash and cash equivalents based on their original maturities. Our investment portfolio is maintained in accordance with our investment policy, which specifies permitted types of investments, specifies credit quality standards and maturity profiles and limits credit exposure to any single issuer. The primary objective of our investment activities is the preservation of principal, the maintenance of liquidity and the maximization of interest income while minimizing risk. Typically, our investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. Given the short-term nature and quality of investments in our portfolio, we do not believe there is any material risk to principal associated with increases or decreases in interest rates.

Excluding our Foreign Facilities, all of our long-term debt as of February 2, 2019 has fixed interest rates. We will from time to time adjust our exposure to interest rate risk by entering into interest rate swap arrangements. Our exposure to interest rate changes is limited to the fair value of the debt issued, which would not have a material impact on our earnings or cash flows.

Fair Value of Financial Instruments

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Long-term Debt:		
Principal Value	$ 5,722	$ 5,750
Fair Value, Estimated (a)	5,340	5,943
Foreign Currency Cash Flow Hedges (b)	(2)	9

(a) The estimated fair value is based on reported transaction prices. The estimates presented are not necessarily indicative of the amounts that we could realize in a current market exchange.

(b) Hedge arrangements are in a net liability (asset) position.

As of February 2, 2019, we believe that the carrying values of accounts receivable, accounts payable, accrued expenses and current debt approximate fair value because of their short maturity.

Concentration of Credit Risk

We maintain cash and cash equivalents and derivative contracts with various major financial institutions. We monitor the relative credit standing of financial institutions with whom we transact and limit the amount of credit exposure with any one entity. Typically, our investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits. We also periodically review the relative credit standing of franchise, license and wholesale partners and other entities to which we grant credit terms in the normal course of business.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

L BRANDS, INC.
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Our fiscal year ends on the Saturday nearest to January 31. Fiscal years are designated in the Consolidated Financial Statements and Notes by the calendar year in which the fiscal year commences. The results for 2018 and 2016 refer to the 52-week periods ended February 2, 2019 and January 28, 2017, respectively. The results for 2017 refer to the 53-week period ended February 3, 2018.

Management’s Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company’s internal control system is designed to provide reasonable assurance to the Company’s management and Board of Directors regarding the preparation and fair presentation of published financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company’s internal control over financial reporting as of February 2, 2019. In making this assessment, management used the criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria).

Based on our assessment and the COSO criteria, management believes that the Company maintained effective internal control over financial reporting as of February 2, 2019.

The Company’s independent registered public accounting firm, Ernst & Young LLP, has issued an attestation report on the Company’s internal control over financial reporting. Ernst & Young LLP’s report appears on the following page and expresses an unqualified opinion on the effectiveness of the Company’s internal control over financial reporting as of February 2, 2019.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of L Brands, Inc.

Opinion on Internal Control over Financial Reporting

We have audited L Brands, Inc.'s internal control over financial reporting as of February 2, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, L Brands, Inc. (the Company) maintained, in all material respects, effective internal control over financial reporting as of February 2, 2019, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Consolidated Balance Sheets of L Brands, Inc. as of February 2, 2019 and February 3, 2018 and the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 2, 2019, and the related notes and our report dated March 22, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP

Grandview Heights, Ohio
March 22, 2019

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of L Brands, Inc.

Opinion on the Financial Statements

We have audited the accompanying Consolidated Balance Sheets of L Brands, Inc. (the Company) as of February 2, 2019 and February 3, 2018, the related Consolidated Statements of Income, Comprehensive Income, Total Equity (Deficit), and Cash Flows for each of the three years in the period ended February 2, 2019, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 2, 2019 and February 3, 2018, and the results of its operations and its cash flows for each of the three years in the period ended February 2, 2019, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 2, 2019, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated March 22, 2019 expressed an unqualified opinion thereon.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2003.

Grandview Heights, Ohio
March 22, 2019

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME
(in millions except per share amounts)

	2018	2017	2016
Net Sales	$ 13,237	$ 12,632	$ 12,574
Costs of Goods Sold, Buying and Occupancy	(8,338)	(7,673)	(7,449)
Gross Profit	4,899	4,959	5,125
General, Administrative and Store Operating Expenses	(3,563)	(3,231)	(3,122)
Loss on Divestiture of La Senza	(99)	—	—
Operating Income	1,237	1,728	2,003
Interest Expense	(385)	(406)	(394)
Other Income (Loss)	5	(10)	87
Income Before Income Taxes	857	1,312	1,696
Provision for Income Taxes	213	329	538
Net Income	$ 644	$ 983	$ 1,158
Net Income Per Basic Share	$ 2.33	$ 3.46	$ 4.04
Net Income Per Diluted Share	$ 2.31	$ 3.42	$ 3.98

L BRANDS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	2018	2017	2016
Net Income	$ 644	$ 983	$ 1,158
Other Comprehensive Income (Loss), Net of Tax:			
Foreign Currency Translation	(20)	23	(19)
Reclassification of Foreign Currency Translation to Earnings	45	—	—
Unrealized Gain (Loss) on Cash Flow Hedges	10	(20)	(8)
Reclassification of Cash Flow Hedges to Earnings	2	7	7
Unrealized Gain (Loss) on Marketable Securities	—	2	(5)
Reclassification of Gain on Marketable Securities to Earnings	—	—	(3)
Total Other Comprehensive Income (Loss), Net of Tax	37	12	(28)
Total Comprehensive Income	$ 681	$ 995	$ 1,130

The accompanying Notes are an integral part of these Consolidated Financial Statements.

L BRANDS, INC.

CONSOLIDATED BALANCE SHEETS

(in millions except par value amounts)

	February 2, 2019	February 3, 2018
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ 1,413	$ 1,515
Accounts Receivable, Net	367	310
Inventories	1,248	1,240
Other	232	228
Total Current Assets	3,260	3,293
Property and Equipment, Net	2,818	2,893
Goodwill	1,348	1,348
Trade Names	411	411
Deferred Income Taxes	62	14
Other Assets	191	190
Total Assets	$ 8,090	$ 8,149
LIABILITIES AND EQUITY (DEFICIT)		
Current Liabilities:		
Accounts Payable	$ 711	$ 717
Accrued Expenses and Other	1,082	1,029
Current Debt	72	87
Income Taxes	121	198
Total Current Liabilities	1,986	2,031
Deferred Income Taxes	226	238
Long-term Debt	5,739	5,707
Other Long-term Liabilities	1,004	924
Shareholders' Equity (Deficit):		
Preferred Stock—$1.00 par value; 10 shares authorized; none issued	—	—
Common Stock—$0.50 par value; 1,000 shares authorized; 283 and 283 shares issued; 275 and 280 shares outstanding, respectively	141	141
Paid-in Capital	771	678
Accumulated Other Comprehensive Income	59	24
Retained Earnings (Deficit)	(1,482)	(1,434)
Less: Treasury Stock, at Average Cost; 8 and 3 shares, respectively	(358)	(162)
Total L Brands, Inc. Shareholders' Equity (Deficit)	(869)	(753)
Noncontrolling Interest	4	2
Total Equity (Deficit)	(865)	(751)
Total Liabilities and Equity (Deficit)	$ 8,090	$ 8,149

The accompanying Notes are an integral part of these Consolidated Financial Statements.

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY (DEFICIT)

(in millions except per share amounts)

	Common Stock							
	Shares Outstanding	Par Value	Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings (Accumulated Deficit)	Treasury Stock, at Average Cost	Noncontrolling Interest	Total Equity (Deficit)
Balance, January 30, 2016	290	$ 156	$ 545	$ 40	$ 315	$ (1,315)	$ 1	$ (258)
Net Income	—	—	—	—	1,158	—	—	1,158
Other Comprehensive Income (Loss)	—	—	—	(28)	—	—	—	(28)
Total Comprehensive Income	—	—	—	(28)	1,158	—	—	1,130
Cash Dividends ($4.40 per share)	—	—	—	—	(1,268)	—	—	(1,268)
Repurchase of Common Stock	(6)	—	—	—	—	(438)	—	(438)
Share-based Compensation and Other	2	1	105	—	—	—	1	107
Balance, January 28, 2017	286	$ 157	$ 650	$ 12	$ 205	$ (1,753)	$ 2	$ (727)
Net Income	—	—	—	—	983	—	—	983
Other Comprehensive Income (Loss)	—	—	—	12	—	—	—	12
Total Comprehensive Income	—	—	—	12	983	—	—	995
Cash Dividends ($2.40 per share)	—	—	—	—	(686)	—	—	(686)
Repurchase of Common Stock	(9)	—	—	—	—	(445)	—	(445)
Treasury Share Retirement	—	(18)	(82)	—	(1,936)	2,036	—	—
Share-based Compensation and Other	3	2	110	—	—	—	—	112
Balance, February 3, 2018	280	$ 141	$ 678	$ 24	$ (1,434)	$ (162)	$ 2	$ (751)
Cumulative Effect of Accounting Changes	—	—	—	(2)	(26)	—	—	(28)
Balance, February 4, 2018	280	141	678	22	(1,460)	(162)	2	(779)
Net Income	—	—	—	—	644	—	—	644
Other Comprehensive Income (Loss)	—	—	—	37	—	—	—	37
Total Comprehensive Income	—	—	—	37	644	—	—	681
Cash Dividends ($2.40 per share)	—	—	—	—	(666)	—	—	(666)
Repurchase of Common Stock	(5)	—	—	—	—	(196)	—	(196)
Share-based Compensation and Other	—	—	93	—	—	—	2	95
Balance, February 2, 2019	275	$ 141	$ 771	$ 59	$ (1,482)	$ (358)	$ 4	$ (865)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

L BRANDS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	2018	2017	2016
Operating Activities			
Net Income	$ 644	$ 983	$ 1,158
Adjustments to Reconcile Net Income to Net Cash Provided by (Used for) Operating Activities:			
Depreciation of Long-lived Assets	590	571	518
Amortization of Landlord Allowances	(43)	(47)	(46)
Long-lived Store Asset Impairment Charges	101	—	—
Loss on Divestiture of La Senza	99	—	—
Deferred Income Taxes	(52)	(108)	110
Share-based Compensation Expense	97	102	96
Gains on Distributions from Easton Investments	(8)	(20)	(112)
Unrealized Losses on Marketable Equity Securities	6	—	—
Loss on Extinguishment of Debt	—	45	36
Gain on Sale of Marketable Equity Securities	—	—	(4)
Changes in Assets and Liabilities, Net of Assets and Liabilities related to Divestiture and Acquisition:			
Accounts Receivable	(63)	(13)	(44)
Inventories	(40)	(137)	30
Accounts Payable, Accrued Expenses and Other	29	50	31
Income Taxes Payable	(113)	(40)	117
Other Assets and Liabilities	130	20	100
Net Cash Provided by Operating Activities	1,377	1,406	1,990
Investing Activities			
Capital Expenditures	(629)	(707)	(990)
Return of Capital from Easton Investments	16	29	119
Purchase of Marketable Securities	—	(10)	—
Proceeds from Sale of Assets	—	—	53
Proceeds from Sale of Marketable Equity Securities	—	—	10
Acquisition, Net of Cash Acquired of $1	—	—	(33)
Other Investing Activities	4	(10)	8
Net Cash Used for Investing Activities	(609)	(698)	(833)
Financing Activities			
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	—	495	692
Payment of Long-term Debt	(52)	(540)	(742)
Borrowings from Secured Revolving Facility	92	—	—
Repayments of Secured Revolving Facility	(92)	—	—
Borrowings from Foreign Facilities	172	96	35
Repayments of Foreign Facilities	(109)	(44)	(6)
Dividends Paid	(666)	(686)	(1,268)
Repurchases of Common Stock	(198)	(446)	(435)
Tax Payments related to Share-based Awards	(13)	(32)	(58)
Proceeds from Exercise of Stock Options	1	38	20
Financing Costs and Other	(7)	(8)	(3)
Net Cash Used for Financing Activities	(872)	(1,127)	(1,765)
Effects of Exchange Rate Changes on Cash	2	—	(6)
Net Decrease in Cash and Cash Equivalents	(102)	(419)	(614)
Cash and Cash Equivalents, Beginning of Year	1,515	1,934	2,548
Cash and Cash Equivalents, End of Year	$ 1,413	$ 1,515	$ 1,934

The accompanying Notes are an integral part of these Consolidated Financial Statements.

L BRANDS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

L Brands, Inc. ("the Company") operates in the highly competitive specialty retail business. The Company is a specialty retailer of women's intimate and other apparel, personal care, beauty and home fragrance products. The Company sells its merchandise through company-owned specialty retail stores in the U.S., Canada, U.K., Ireland and Greater China, and through its websites and other channels. The Company's other international operations are primarily through franchise, license and wholesale partners. The Company currently operates the following retail brands:

- Victoria's Secret
- PINK
- Bath & Body Works

Fiscal Year

The Company's fiscal year ends on the Saturday nearest to January 31. As used herein, "2018" and "2016" refer to the 52-week periods ended February 2, 2019 and January 28, 2017, respectively. "2017" refers to the 53-week period ended February 3, 2018.

Basis of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company accounts for investments in unconsolidated entities where it exercises significant influence, but does not have control, using the equity method. Under the equity method of accounting, the Company recognizes its share of the investee's net income or loss. Losses are only recognized to the extent the Company has positive carrying value related to the investee. Carrying values are only reduced below zero if the Company has an obligation to provide funding to the investee. The Company's share of net income or loss of unconsolidated entities from which the Company purchases merchandise or merchandise components is included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income. The Company's share of net income or loss of all other unconsolidated entities is included in Other Income (Loss) in the Consolidated Statements of Income. The Company's equity method investments are required to be reviewed for impairment when it is determined there may be an other than temporary loss in value.

La Senza

On January 6, 2019, the Company completed the sale of the La Senza business. For additional information, see Note 6, "Restructuring Activities."

Cash and Cash Equivalents

Cash and Cash Equivalents include cash on hand, demand deposits with financial institutions and highly liquid investments with original maturities of less than 90 days. The Company's outstanding checks, which totaled $13 million as of February 2, 2019 and $14 million as of February 3, 2018, are included in Accounts Payable on the Consolidated Balance Sheets.

Concentration of Credit Risk

The Company maintains cash and cash equivalents and derivative contracts with various major financial institutions. The Company monitors the relative credit standing of financial institutions with whom the Company transacts and limits the amount of credit exposure with any one entity. Typically, the Company's investment portfolio is primarily comprised of U.S. government obligations, U.S. Treasury and AAA-rated money market funds, commercial paper and bank deposits.

The Company also periodically reviews the relative credit standing of franchise, license and wholesale partners and other entities to which the Company grants credit terms in the normal course of business. The Company records an allowance for uncollectable accounts when it becomes probable that the counterparty will be unable to pay.

Marketable Equity Securities

These investments are recorded at fair value in other current assets on the Consolidated Balance Sheets. Beginning in 2018, the Company recognizes unrealized holding gains and losses in Other Income (Loss) in the Consolidated Statements of Income.

Prior to 2018, unrealized holding gains and losses were recorded, net of tax, as a component of accumulated other comprehensive income.

Inventories

Inventories are principally valued at the lower of cost or net realizable value, on a weighted-average cost basis.

The Company records valuation adjustments to its inventories if the cost of inventory on hand exceeds the amount it expects to realize from the ultimate sale or disposal of the inventory. These estimates are based on management's judgment regarding future demand and market conditions and analysis of historical experience.

The Company also records inventory loss adjustments for estimated physical inventory losses that have occurred since the date of the last physical inventory. These estimates are based on management's analysis of historical results and operating trends.

Advertising Costs

Advertising and marketing costs are expensed at the time the promotion first appears in media, in the store or when the advertising is mailed. Advertising and marketing costs totaled $476 million for 2018, $383 million for 2017 and $325 million for 2016.

Property and Equipment

The Company's property and equipment are recorded at cost and depreciation is computed on a straight-line basis using the following depreciable life ranges:

Category of Property and Equipment	Depreciable Life Range
Software, including software developed for internal use	3 - 7 years
Store related assets	3 - 10 years
Leasehold improvements	Shorter of lease term or 10 years
Non-store related building and site improvements	10 - 15 years
Other property and equipment	20 years
Buildings	30 years

When a decision has been made to dispose of property and equipment prior to the end of the previously estimated useful life, depreciation estimates are revised to reflect the use of the asset over the shortened estimated useful life. The Company's cost of assets sold or retired and the related accumulated depreciation are removed from the accounts with any resulting gain or loss included in net income. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments that extend useful lives are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Assets are grouped at the lowest level for which they are largely independent of other assets or asset groups. If the estimated undiscounted future cash flows related to the asset or asset group are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the estimated fair value, usually determined by the estimated discounted future cash flows of the asset or asset group.

Goodwill and Intangible Assets

The Company has certain intangible assets resulting from business combinations and acquisitions that are recorded at cost. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives.

Goodwill is reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first perform a qualitative assessment to determine whether it is more likely than not that each reporting unit's fair value is less than its carrying value (including goodwill), or to proceed directly to the quantitative assessment which requires a comparison of the fair value of each reporting unit's fair value to its carrying value (including goodwill). If the Company determines that the fair value of a reporting unit is less than its carrying value, the Company then estimates the fair value of all assets and liabilities of that reporting unit, including the implied fair value of goodwill, through either estimated discounted future cash flows or market-based methodologies. If the carrying value of goodwill exceeds the implied fair value, the Company recognizes an impairment charge equal to the difference. The Company's reporting units are determined in accordance with the provisions of ASC 350, *Intangibles - Goodwill and Other*. The Company's reporting units that have goodwill are Victoria's Secret, Bath & Body Works and Greater China.

Intangible assets with indefinite lives are reviewed for impairment each year in the fourth quarter and may be reviewed more frequently if certain events occur or circumstances change. The Company has the option to either first performs a qualitative assessment to determine whether it is more likely than not that the indefinite-lived intangible asset is impaired, or to proceed directly to the quantitative assessment which requires a comparison of the fair value of the intangible asset to its carrying value. To determine if the fair value of the asset is less than its carrying amount, the Company will estimate the fair value, usually determined by the estimated discounted future cash flows of the asset, and compare that value with its carrying amount. If the carrying value of the intangible asset exceeds the fair value, the Company recognizes an impairment charge equal to the difference.

If future economic conditions are different than those projected by management, future impairment charges may be required.

Leases and Leasehold Improvements

The Company has leases that contain predetermined fixed escalations of minimum rentals and/or rent abatements subsequent to taking possession of the leased property. The Company recognizes the related rent expense on a straight-line basis commencing upon the store possession date. The Company records the difference between the recognized rental expense and amounts payable under the leases as deferred lease credits. The Company’s liability for predetermined fixed escalations of minimum rentals and/or rent abatements totaled $220 million as of February 2, 2019 and $210 million as of February 3, 2018. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company receives construction allowances from landlords related to its retail stores. These allowances are generally comprised of cash amounts received by the Company from its landlords as part of the negotiated lease terms. The Company records a receivable and a landlord allowance at the lease commencement date (date of initial possession of the store). The landlord allowance is amortized on a straight-line basis as a reduction of rent expense over the term of the lease (including the pre-opening build-out period), and the receivable is reduced as amounts are received from the landlord. The Company’s unamortized portion of landlord allowances, which totaled $278 million as of February 2, 2019 and $293 million as of February 3, 2018, is included in Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company also has leasehold improvements which are amortized over the shorter of their estimated useful lives or the period from the date the assets are placed in service to the end of the initial lease term. Leasehold improvements made after the inception of the initial lease term are depreciated over the shorter of their estimated useful lives or the remaining lease term, including renewal periods, if reasonably assured.

For information regarding the future impacts as a result of the Company's adoption of ASC 842, *Leases,* in the first quarter of 2019, refer to Note 2, "New Accounting Pronouncements."

Foreign Currency Translation

The functional currency of the Company’s foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the average exchange rates for the period. The Company’s resulting translation adjustments are recorded as a component of accumulated other comprehensive income (loss) in shareholders’ equity. Accumulated foreign currency translation adjustments are reclassified to net income when realized upon sale or upon complete or substantially complete liquidation of the investment in the foreign entity.

Derivative Financial Instruments

The Company uses derivative financial instruments to manage exposure to foreign currency exchange rates and interest rates. The Company does not use derivative instruments for trading purposes. All derivative instruments are recorded on the Consolidated Balance Sheets at fair value.

For derivative financial instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of accumulated other comprehensive income (loss) in shareholders’ equity and reclassified into earnings in the same period during which the hedged item affects earnings. Gains and losses that are reclassified into earnings are recognized in the same line item on the Consolidated Statement of Income as the underlying hedged item. Gains and losses on the derivative representing hedge ineffectiveness, if any, are recognized in current earnings.

For derivative financial instruments that are designated and qualify as fair value hedges, the change in the fair value of the derivative instrument has an equal and offsetting impact to the carrying value of the liability on the balance sheet.

For derivative financial instruments that are not designated as hedging instruments, the gain or loss on the derivative instrument is recognized in current earnings in Other Income (Loss) on the Consolidated Statements of Income.

Fair Value

The authoritative guidance included in ASC 820, *Fair Value Measurement,* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. This authoritative guidance further establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

- Level 1—Quoted market prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs other than quoted market prices included in Level 1, such as quoted prices of similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The Company estimates the fair value of financial instruments, property and equipment and goodwill and intangible assets in accordance with the provisions of ASC 820.

Income Taxes

The Company accounts for income taxes under the asset and liability method. Under this method, taxes currently payable or refundable are accrued, and deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are also recognized for realizable operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted income tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in income tax rates is recognized in the Company's Consolidated Statement of Income in the period that includes the enactment date. A valuation allowance is recorded to reduce the carrying amounts of deferred tax assets if it is more likely than not that such assets will not be realized.

In determining the Company's provision for income taxes, the Company considers permanent differences between book and tax income and statutory income tax rates. The Company's effective income tax rate is affected by items including changes in tax law, the tax jurisdiction of new stores or business ventures and the level of earnings.

The Company follows a two-step approach to recognize and measure uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if the available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments and for which actual outcomes may differ from forecasted outcomes.

The Company's income tax returns, like those of most companies, are periodically audited by domestic and foreign tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple tax years are subject to audit by the various tax authorities. A number of years may elapse before a particular matter for which the Company has established an accrual is audited and fully resolved or clarified. The Company adjusts its tax contingencies accrual and income tax provision in the period in which matters are effectively settled with tax authorities at amounts different from its established accrual, when the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available. The Company includes its tax contingencies accrual, including accrued penalties and interest, in Other Long-term Liabilities on the Consolidated Balance Sheets unless the liability is expected to be paid within one year. Changes to the tax contingencies accrual, including accrued penalties and interest, are included in Provision for Income Taxes on the Consolidated Statements of Income.

Self-Insurance

The Company is self-insured for medical, workers' compensation, property, general liability and automobile liability up to certain stop-loss limits. Such costs are accrued based on known claims and an estimate of incurred but not reported ("IBNR") claims. IBNR claims are estimated using historical claim information and actuarial estimates.

Noncontrolling Interest

Noncontrolling interest represents the portion of equity interests of consolidated affiliates not owned by the Company.

Share-based Compensation

The Company recognizes all share-based payments to employees and directors as compensation cost over the service period based on their estimated fair value on the date of grant. The Company estimates award forfeitures at the time awards are granted and adjusts, if necessary, in subsequent periods based on historical experience and expected future forfeitures.

Compensation cost is recognized over the service period for the fair value of awards that actually vest. Compensation expense for awards without a performance condition is recognized, net of estimated forfeitures, using a single award approach (each award is valued as one grant, irrespective of the number of vesting tranches). Compensation expense for awards with a performance condition is recognized, net of estimated forfeitures, using a multiple award approach (each vesting tranche is valued as one grant).

Revenue Recognition

In the first quarter of 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach. Results for 2018 are presented under ASC 606, while prior period consolidated financial statements have not been adjusted and continue to be presented under the accounting standards in effect for those periods.

The Company recognizes revenue based on the amount it expects to receive when control of the goods or services is transferred to the customer. The Company recognizes sales upon customer receipt of merchandise, which for direct channel revenues reflect an estimate of shipments that have not yet been received by the customer based on shipping terms and historical delivery times. The Company's shipping and handling revenues are included in Net Sales with the related costs included in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income. The Company also provides a reserve for projected merchandise returns based on historical experience. Net Sales exclude sales and other similar taxes collected from customers.

The Company offers certain loyalty programs that allow customers to earn points based on purchasing activity. As customers accumulate points and reach point thresholds, they can use the points to purchase merchandise in stores or online. The Company allocates revenue to points earned on qualifying purchases and defers recognition until the points are redeemed. The amount of revenue deferred is based on the relative stand-alone selling price method, which includes an estimate for points not expected to be redeemed based on historical experience.

The Company sells gift cards with no expiration dates to customers. The Company does not charge administrative fees on unused gift cards. The Company recognizes revenue from gift cards when they are redeemed by the customer. In addition, the Company recognizes revenue on unredeemed gift cards where the likelihood of the gift card being redeemed is remote and there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage). Gift card breakage revenue is recognized in proportion, and over the same period, as actual gift card redemptions. The Company determines the gift card breakage rate based on historical redemption patterns. Gift card breakage is included in Net Sales in the Consolidated Statements of Income.

Revenue earned in connection with Victoria's Secret's private label credit card arrangement is recognized over the term of the license arrangement and is included in Net Sales in the 2018 Consolidated Statement of Income.

The Company also recognizes revenues associated with franchise, license, wholesale and sourcing arrangements. Revenue recognized under franchise and license arrangements generally consists of royalties earned and recognized upon sale of merchandise by franchise and license partners to retail customers. Revenue is generally recognized under wholesale and sourcing arrangements at the time the title passes to the partner.

Costs of Goods Sold, Buying and Occupancy

The Company's costs of goods sold include merchandise costs, net of discounts and allowances, freight and inventory shrinkage. The Company's buying and occupancy expenses primarily include payroll, benefit costs and operating expenses for its buying departments and distribution network, rent, common area maintenance, real estate taxes, utilities, maintenance, fulfillment expenses and depreciation for the Company's stores, warehouse facilities and equipment.

General, Administrative and Store Operating Expenses

The Company's general, administrative and store operating expenses primarily include payroll and benefit costs for its store-selling and administrative departments (including corporate functions), marketing, advertising and other operating expenses not specifically categorized elsewhere in the Consolidated Statements of Income.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates, and the Company revises its estimates and assumptions as new information becomes available.

2. New Accounting Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued ASC 606, *Revenue from Contracts with Customers*, which was further clarified and amended in 2015 and 2016. This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also results in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted the standard in the first quarter of 2018 under the modified retrospective approach. Under the standard, income from the Victoria's Secret private label credit card arrangement, which was historically presented as a reduction to General, Administrative and Store Operating Expenses, is presented as revenue. Further, historical accounting related to loyalty points earned under the Victoria's Secret customer loyalty program changed as the Company now defers revenue associated with customer loyalty points until the points are redeemed using a relative stand-alone selling price method. The standard also changed accounting for sales returns which requires balance sheet presentation on a gross basis.

In the first quarter of 2018, the Company recorded a cumulative catch-up adjustment resulting in a reduction to opening retained earnings, net of tax, of $28 million. The cumulative adjustment primarily related to the deferral of revenue related to outstanding points, net of estimated forfeitures, under the Victoria's Secret customer loyalty program. In addition, Net Sales and General, Administrative and Store Operating Expenses both increased $187 million in the 2018 Consolidated Statement of Income. Further, gross presentation of the Company's sales return reserve resulted in a $5 million increase in Other Current Assets and Accrued Expenses and Other on the February 2, 2019 Consolidated Balance Sheet.

Fair Value of Financial Instruments

In January 2016, the FASB issued ASC 321, *Investments - Equity Securities*, which addresses certain aspects of the recognition, measurement, presentation and disclosure of financial instruments. The standard requires the recognition of changes in the fair value of marketable equity securities in net income as compared to historical treatment in accumulated other comprehensive income on the balance sheet. The Company adopted the standard in the first quarter of 2018 and recorded an increase to opening retained earnings, net of tax, of $2 million.

Leases

In February 2016, the FASB issued ASC 842, *Leases*, which is effective beginning in fiscal 2019 and requires companies classified as lessees to account for most leases on their balance sheets but recognize expenses on their income statements in a manner similar to today's accounting. The standard also will result in enhanced quantitative and qualitative disclosures, including significant judgments made by management, to provide greater insight into the extent of revenue and expense recognized and expected to be recognized from existing leases. In July 2018, the FASB approved an amendment to the standard that provides companies a transition option that would not require earlier periods to be restated upon adoption.

The Company will adopt the standard in the first quarter of 2019 and apply the standard prospectively as of the adoption date. As allowed by the new standard, the Company elected the package of transition practical expedients but has elected to not apply the hindsight practical expedient to its leases at transition.

Substantially all of the Company's leases, including our retail store locations, are subject to operating lease accounting under the new standard. The Company expects to recognize right-of-use assets of approximately $3.3 billion and related lease liabilities of approximately $3.7 billion in its Consolidated Balance Sheet upon adoption at the beginning of fiscal 2019. These balances will change as the lease portfolio changes due to execution of lease modifications or new leases. The right-of-use

assets are based upon the lease liabilities adjusted for deferred rent liabilities and unamortized landlord construction allowances. The Company will continue to recognize rent expense in the Consolidated Statements of Income on a straight-line basis over the lease term.

Hedging Activities

In August 2017, the FASB issued ASU 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which is intended to better align risk management activities and financial reporting for hedging relationships. The standard eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. It also eases certain documentation and assessment requirements. The Company will adopt the standard in the first quarter of fiscal 2019. The Company does not expect this standard to have a material impact on its consolidated results of operations, financial position or cash flows.

Goodwill

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill. The standard eliminates the second step from the goodwill impairment test, which requires a hypothetical purchase price allocation to determine the implied fair value of goodwill. Under the new standard, the goodwill impairment charge will be the excess of the reporting unit's carrying value over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This guidance will be effective beginning in fiscal 2020, with early adoption permitted. The Company does not expect this standard to have a material impact on its consolidated results of operations, financial position or cash flows.

3. Revenue Recognition

In the first quarter of 2018, the Company adopted ASC 606, *Revenue from Contracts with Customers*, using the modified retrospective approach. Results for 2018 are presented under ASC 606, while prior period consolidated financial statements have not been adjusted and continue to be presented under the accounting standards in effect for those periods.

Accounts receivable, net from revenue-generating activities were $150 million as of February 2, 2019 and $144 million as of the beginning of the period upon adoption of the new standard. Accounts receivable primarily relate to amounts due from the Company's franchise, license and wholesale partners. Under these arrangements, payment terms are typically 60 to 75 days.

The Company records deferred revenue when cash payments are received in advance of transfer of control of goods or services. Deferred revenue primarily relates to gift cards, loyalty and private label credit card programs and direct channel shipments, which are all impacted by seasonal and holiday-related sales patterns. The balance of deferred revenue was $331 million as of February 2, 2019 and $320 million as of the beginning of the period upon adoption of the new standard. The Company recognized $224 million as revenue in 2018 from amounts recorded as deferred revenue at the beginning of the period. The Company's deferred revenue balance would have been $287 million as of February 2, 2019 under accounting standards in effect prior to the adoption of the new standard. As of February 2, 2019, the Company recorded deferred revenues of $316 million within Accrued Expenses and Other, and $15 million within Other Long-term Liabilities on the Consolidated Balance Sheet.

The following table provides a disaggregation of Net Sales for 2018, 2017 and 2016:

	2018	2017 (a)(b)	2016 (a)
		(in millions)	
Victoria’s Secret Stores (c)	$ 5,628	$ 5,879	$ 6,199
Victoria’s Secret Direct	1,747	1,508	1,582
Victoria’s Secret North America	7,375	7,387	7,781
Bath & Body Works Stores (c)	3,907	3,589	3,400
Bath & Body Works Direct	724	559	452
Bath & Body Works North America	4,631	4,148	3,852
Victoria's Secret and Bath & Body Works International (d)	605	502	423
Other (e)	626	595	518
Total Net Sales	$ 13,237	$ 12,632	$ 12,574

(a) 2017 and 2016 amounts have not been adjusted under the modified retrospective approach.

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(b) 2017 represents a 53-week fiscal year.
(c) Includes company-owned stores in the U.S. and Canada.
(d) Includes company-owned stores in the U.K., Ireland and Greater China, direct sales in Greater China and wholesale sales, royalties and other fees associated with non-company owned stores.
(e) Includes wholesale revenues from the Company's sourcing function, Henri Bendel store and direct sales, and La Senza store and direct sales prior to January 6, 2019.

4. Earnings Per Share

Earnings per basic share is computed based on the weighted-average number of outstanding common shares. Earnings per diluted share include the weighted-average effect of dilutive options and restricted stock on the weighted-average shares outstanding.

The following table provides shares utilized for the calculation of basic and diluted earnings per share for 2018, 2017 and 2016:

	2018	2017 (a)	2016
		(in millions)	
Weighted-average Common Shares:			
Issued Shares	283	308	314
Treasury Shares	(7)	(24)	(27)
Basic Shares	276	284	287
Effect of Dilutive Options and Restricted Stock	3	3	4
Diluted Shares	279	287	291
Anti-dilutive Options and Awards (b)	5	4	2

(a) In November 2017, the Company retired 36 million shares of its Treasury Stock.
(b) These options and awards were excluded from the calculation of diluted earnings per share because their inclusion would have been anti-dilutive.

5. Acquisition

On April 18, 2016, the Company completed the acquisition of 100% of the shares of American Beauty Limited for a total purchase price of $44 million. This agreement included the reacquisition of the franchise rights from one of our partners to operate Victoria's Secret Beauty and Accessories stores in Greater China, including 26 stores already open at the time of acquisition. The purchase price included $10 million in forgiveness of liabilities owed to the Company from the pre-existing relationship. As a result of this acquisition, the Company's financial statements include the financial results of American Beauty Limited, which are reported as part of the Victoria's Secret and Bath & Body Works International segment.

The total purchase price was allocated to the net tangible and intangible assets acquired based on their estimated fair value. Such estimated fair values require management to make estimates and judgments, especially with respect to intangible assets. The allocation of the purchase price to goodwill was complete as of the second quarter of 2016. Goodwill related to the acquisition is not deductible for tax purposes.

The allocation of the purchase price to the fair value of assets acquired and liabilities assumed is as follows:

	(in millions)
Cash and Cash Equivalents	$ 1
Inventories	3
Property and Equipment	10
Goodwill	30
Other Assets	3
Current Liabilities	(3)
Net Assets Acquired	$ 44
Forgiveness of Liabilities Owed to the Company	(10)
Consideration Paid	$ 34

6. Restructuring Activities

La Senza

On January 6, 2019, in an effort to increase shareholder value and in order to focus on its larger core businesses, the Company divested its ownership interest in La Senza to an affiliate of Regent LP, a global private equity firm. Regent LP assumed La Senza's operating assets and liabilities in exchange for potential future consideration upon the sale or other monetization of La Senza, as defined in the agreement. In the fourth quarter of 2018, the Company recognized a pre-tax loss on the divestiture of $99 million, primarily related to $45 million of accumulated foreign currency translation adjustments reclassified into earnings that were previously recognized as a component of equity, as well as losses related to the transfer of the net working capital and long-lived store assets to the buyer. The loss is included in Loss on Divestiture of La Senza in the 2018 Consolidated Statement of Income. The after-tax loss on the divestiture was $55 million, which includes $44 million of tax benefits primarily associated with the recognition of previously unrecognized deferred tax assets.

In conjunction with the transaction, the Company has guaranteed certain lease payments under the current terms of noncancelable leases. For additional information, see Note 18, "Commitments and Contingencies."

Additionally, the Company will continue to provide support to La Senza in various operational areas including logistics, technology and merchandise sourcing for periods of time ranging from one month to eighteen months.

Henri Bendel

In the fourth quarter of 2018, the Company closed all Henri Bendel stores and ceased selling merchandise online.

The Company announced the planned closure of Henri Bendel in the third quarter of 2018. As a result, the Company recognized a pre-tax charge, primarily cash, consisting of lease termination costs, severance and other costs of $20 million in the third quarter. In the fourth quarter of 2018, the Company recognized an additional pre-tax charge of $3 million, primarily related to contract termination and employee retention costs. Restructuring charges of $14 million and $9 million are included in Costs of Goods Sold, Buying and Occupancy and General, Administrative and Store Operating Expenses, respectively, in the 2018 Consolidated Statement of Income. Through the fourth quarter of 2018, the Company made cash payments of $16 million. The remaining balance of $7 million is included in Accrued Expenses and Other on the February 2, 2019 Consolidated Balance Sheet.

Victoria's Secret

During the first quarter of 2016, the Company made strategic changes within the Victoria's Secret segment designed to focus the brand on its core merchandise categories, streamline operations and emphasize brand building and loyalty-enhancing marketing and advertising rather than using traditional catalogues and offers. As a result of these actions, the Company recorded charges related to cancellations of fabric commitments for non-go forward merchandise and a reserve against paper that was previously intended for future catalogues. These costs, totaling $11 million, including non-cash charges of $10 million, are included in Costs of Goods Sold, Buying and Occupancy on the 2016 Consolidated Statement of Income. These actions also resulted in the elimination of approximately 200 positions primarily in the Company's Ohio and New York home offices. Severance and related costs associated with these eliminations, totaling $24 million, are included in General, Administrative and Store Operating Expenses on the 2016 Consolidated Statement of Income. The Company recognized a total pre-tax charge of $35 million for these items in the first quarter of 2016.

7. Inventories

The following table provides details of inventories as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Finished Goods Merchandise	$ 1,107	$ 1,121
Raw Materials and Merchandise Components	141	119
Total Inventories	$ 1,248	$ 1,240

8. Property and Equipment, Net

The following table provides details of property and equipment, net as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Land and Improvements	$ 116	$ 116
Buildings and Improvements	492	484
Furniture, Fixtures, Software and Equipment	3,725	3,757
Leasehold Improvements	2,277	2,251
Construction in Progress	123	79
Total	6,733	6,687
Accumulated Depreciation and Amortization	(3,915)	(3,794)
Property and Equipment, Net	$ 2,818	$ 2,893

Depreciation expense was $590 million in 2018, $571 million in 2017 and $518 million in 2016.

During 2018, the Company concluded that the negative operating results for certain of its Victoria's Secret stores were an indicator of potential impairment of the related long-lived store assets. The Company determined that the estimated undiscounted future cash flows were less than the carrying values and, as a result, recognized a loss equal to the difference between the carrying values and the estimated fair values, determined by the estimated discounted future cash flows. As a result, the Company recognized impairment charges of $81 million and $20 million in the third and fourth quarter of 2018, respectively. These charges are included in Costs of Goods Sold, Buying & Occupancy in the 2018 Consolidated Statement of Income. Impairment charges of $70 million, related to stores in the U.S. and Canada, were recorded within the Victoria's Secret segment. Impairment charges of $31 million, related to stores in the U.K., were recorded within the Victoria's Secret and Bath & Body Works International segment.

In 2016, the Company completed a sale and leaseback transaction under a noncancelable operating lease of a certain asset. The carrying value of the asset sold under this arrangement was $51 million. Proceeds of $51 million are included in Proceeds from Sale of Assets within the Investing Activities section of the 2016 Consolidated Statement of Cash Flows. For additional information, see Note 18, "Commitments and Contingencies."

9. Goodwill and Trade Names

Goodwill

The following table provides detail regarding the composition of goodwill for the fiscal years ended February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Victoria's Secret	$ 690	$ 690
Bath & Body Works	628	628
Victoria's Secret and Bath & Body Works International	30	30
Goodwill	$ 1,348	$ 1,348

In 2016, the Company reacquired from one of its partners the franchise rights to operate Victoria's Secret Beauty and Accessories stores in Greater China, including 26 stores already open at the time of acquisition. As a result of the acquisition, the Company recognized $30 million of goodwill within the Victoria's Secret and Bath & Body Works International reportable segment. For additional information, see Note 5, "Acquisition."

The Company tests for goodwill impairment at the reporting unit level. The Company's reporting units with goodwill balances at February 2, 2019 were Victoria's Secret, Bath & Body Works and Greater China.

Intangible Assets—Indefinite Lives

Intangible assets with indefinite lives represent the Victoria's Secret and Bath & Body Works trade names. The following table provides additional detail regarding the composition of trade names as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Victoria's Secret	$ 246	$ 246
Bath & Body Works	165	165
Trade Names	$ 411	$ 411

10. Equity Investments

Easton Investments

The Company has land and other investments in Easton, a planned community in Columbus, Ohio, that integrates office, hotel, retail, residential and recreational space. These investments, totaling $89 million as of February 2, 2019 and $81 million as of February 3, 2018, are recorded in Other Assets on the Consolidated Balance Sheets.

Included in the Company's Easton investments are equity interests in Easton Town Center, LLC ("ETC") and Easton Gateway, LLC ("EG"), entities that own and develop commercial entertainment and shopping centers. The Company's investments in ETC and EG are accounted for using the equity method of accounting. The Company has a majority financial interest in ETC and EG, but another unaffiliated member manages them, and certain significant decisions regarding ETC and EG require the consent of unaffiliated members in addition to the Company.

The Company received cash distributions of $16 million and $29 million from certain of its Easton investments during 2018 and 2017, respectively, which are included as return of capital within Investing Activities of the Consolidated Statements of Cash Flows. As a result of these distributions, the Company recognized pre-tax gains totaling $8 million and $20 million during 2018 and 2017, respectively, which are included in Other Income (Loss) in the Consolidated Statements of Income.

In 2016, ETC refinanced its bank loan. In conjunction with the loan refinancing, the Company received a cash distribution from ETC of $124 million and recognized a pre-tax gain of $108 million (after-tax gain of $70 million). The gain is included in Other Income (Loss) on the 2016 Consolidated Statement of Income and the return of capital is included within the Investing Activities section of the 2016 Consolidated Statement of Cash Flows.

11. Accrued Expenses and Other

The following table provides additional information about the composition of accrued expenses and other as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Deferred Revenue, Principally from Gift Card Sales (a)	$ 316	$ 267
Compensation, Payroll Taxes and Benefits	215	196
Taxes, Other than Income	78	102
Interest	92	101
Rent	39	43
Accrued Claims on Self-insured Activities	45	37
Returns Reserve (a)	27	20
Other	270	263
Total Accrued Expenses and Other	$ 1,082	$ 1,029

(a) The Company adopted ASC 606, *Revenue from Contracts with Customers*, under the modified retrospective approach. As such, balances as of February 3, 2018 have not been adjusted.

12. Income Taxes

Current income tax expense represents the amounts expected to be reported on the Company's income tax returns, and deferred tax expense or benefit represents the change in net deferred tax assets and liabilities. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities as measured by the enacted tax rates that will be in effect when these differences reverse. Valuation allowances are recorded as appropriate to reduce deferred tax assets to the amount considered likely to be realized.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJA") was enacted into law. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates and imposing a repatriation tax on deemed repatriated earnings of foreign subsidiaries. The TCJA reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018.

On December 22, 2017, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the TCJA. The ultimate impact may differ from provisional amounts, due to changes in interpretations and assumptions the Company has made regarding application of the TCJA as well as additional regulatory guidance that may be issued. The Company recognized $159 million tax benefit related to revaluing the ending net deferred tax liabilities and recognized $67 million of tax expense related to the deemed mandatory repatriation in its consolidated financial statements for the year ended February 3, 2018. As of February 2, 2019, the Company has completed its determination of the accounting implications of the TCJA.

The following table provides the components of the Company's provision for income taxes for fiscal 2018, 2017 and 2016:

	2018	2017	2016
		(in millions)	
Current:			
U.S. Federal	$ 212	$ 366	$ 345
U.S. State	37	49	62
Non-U.S.	16	22	21
Total	265	437	428
Deferred:			
U.S. Federal	(4)	(114)	99
U.S. State	2	6	8
Non-U.S.	(50)	—	3
Total	(52)	(108)	110
Provision for Income Taxes	$ 213	$ 329	$ 538

The non-U.S. component of pre-tax income, arising principally from overseas operations, was a loss of $14 million, income of $99 million and income of $134 million for 2018, 2017 and 2016, respectively.

The following table provides the reconciliation between the statutory federal income tax rate and the effective tax rate for fiscal 2018, 2017 and 2016:

	2018	2017	2016
Federal Income Tax Rate	21.0%	33.7%	35.0%
State Income Taxes, Net of Federal Income Tax Effect	6.0%	3.6%	3.4%
Impact of Non-U.S. Operations	0.8%	(1.5%)	(1.2%)
Divestiture of La Senza	(2.7%)	—%	—%
U.S. Net Deferred Tax Liability Remeasurement	—%	(12.1%)	—%
Deemed Mandatory Repatriation	—%	5.1%	—%
Share-Based Compensation	1.0%	(1.0%)	—%
Uncertain Tax Positions	(0.5%)	(1.2%)	(4.1%)
Other Items, Net	(0.7%)	(1.5%)	(1.4%)
Effective Tax Rate	24.9%	25.1%	31.7%

Deferred Taxes

The following table provides the effect of temporary differences that cause deferred income taxes as of February 2, 2019 and February 3, 2018. Deferred tax assets and liabilities represent the future effects on income taxes resulting from temporary differences and carryforwards at the end of the respective year.

	February 2, 2019			February 3, 2018		
	Assets	Liabilities	Total	Assets	Liabilities	Total
			(in millions)			
Operating Loss Carryforwards	$ 217	$ —	$ 217	$ 202	$ —	$ 202
Non-qualified Retirement Plan	64	—	64	62	—	62
Leases	50	—	50	47	—	47
Share-based Compensation	47	—	47	46	—	46
Deferred Revenue	28	—	28	15	—	15
Property and Equipment	—	(278)	(278)	—	(266)	(266)
Trade Names and Other Intangibles	—	(93)	(93)	—	(91)	(91)
Other Assets	—	(60)	(60)	—	(60)	(60)
Other, Net	60	(27)	33	57	(24)	33
Valuation Allowance	(172)	—	(172)	(212)	—	(212)
Total Deferred Income Taxes	$ 294	$ (458)	$ (164)	$ 217	$ (441)	$ (224)

As of February 2, 2019, the Company had available for state income tax purposes net operating loss carryforwards which expire, if unused, in the years 2019 through 2037. For those states where the Company has determined that it is more likely than not that the state net operating loss carryforwards will not be realized, a valuation allowance has been provided.

As of February 2, 2019, the Company had available for non-U.S. tax purposes net operating loss carryforwards which have an indefinite life and net operating loss carryforwards which expire, if unused, in the years 2028 through 2038. For certain jurisdictions where the Company has determined that it is more likely than not that the net operating loss carryforwards will not be realized, a valuation allowance has been provided on those net operating loss carryforwards as well as other net deferred tax assets.

Income tax payments were $324 million for 2018, $494 million for 2017 and $469 million for 2016.

Uncertain Tax Positions

The following table summarizes the activity related to the Company's unrecognized tax benefits for U.S. federal, state & non-U.S. tax jurisdictions for 2018, 2017 and 2016, without interest and penalties:

	2018	2017	2016
		(in millions)	
Gross Unrecognized Tax Benefits, as of the Beginning of the Fiscal Year	$ 67	$ 90	$ 248
Increases to Unrecognized Tax Benefits for Prior Years	35	3	3
Decreases to Unrecognized Tax Benefits for Prior Years	(25)	(22)	(73)
Increases to Unrecognized Tax Benefits as a Result of Current Year Activity	44	7	18
Decreases to Unrecognized Tax Benefits Relating to Settlements with Taxing Authorities	—	(2)	(98)
Decreases to Unrecognized Tax Benefits as a Result of a Lapse of the Applicable Statute of Limitations	(7)	(9)	(8)
Gross Unrecognized Tax Benefits, as of the End of the Fiscal Year	$ 114	$ 67	$ 90

Of the $114 million, $67 million and $90 million of total unrecognized tax benefits at February 2, 2019, February 3, 2018, and January 28, 2017, respectively, approximately $104 million, $46 million and $62 million, respectively, represent the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods. These amounts are net of the offsetting tax effects from other tax jurisdictions.

Of the total unrecognized tax benefits, it is reasonably possible that $84 million could change in the next 12 months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in amounts which could be different

from this estimate. In such case, the Company will record additional tax expense or tax benefit in the period in which such matters are effectively settled.

The Company recognizes interest and penalties related to unrecognized tax benefits as components of income tax expense. The Company recognized an income tax benefit from interest and penalties of $5 million, $2 million and $3 million in 2018, 2017 and 2016, respectively. The Company has accrued $12 million and $17 million for the payment of interest and penalties as of February 2, 2019 and February 3, 2018, respectively. Accrued interest and penalties are included within Other Long-term Liabilities on the Consolidated Balance Sheets.

The Company files U.S. federal income tax returns as well as income tax returns in various states and in non-U.S. jurisdictions. The Company is a participant in the Compliance Assurance Process ("CAP"), which is a program made available by the Internal Revenue Service ("IRS") to certain qualifying large taxpayers, under which participants work collaboratively with the IRS to identify and resolve potential tax issues through open, cooperative and transparent interaction prior to the annual filing of their federal income tax return. The IRS is currently examining the Company's 2017 consolidated U.S. federal income tax return.

The Company is also subject to various U.S. state and local income tax examinations for the years 2012 to 2017. Finally, the Company is subject to multiple non-U.S. tax jurisdiction examinations for the years 2007 to 2017. In some situations, the Company determines that it does not have a filing requirement in a particular tax jurisdiction. Where no return has been filed, no statute of limitations applies. Accordingly, if a tax jurisdiction reaches a conclusion that a filing requirement does exist, additional years may be reviewed by the tax authority. The Company believes it has appropriately accounted for uncertainties related to this issue.

13. Long-term Debt and Borrowing Facilities

The following table provides the Company's outstanding debt balance, net of unamortized debt issuance costs and discounts, as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Senior Debt with Subsidiary Guarantee		
$1 billion, 6.875% Fixed Interest Rate Notes due November 2035 ("2035 Notes")	$ 990	$ 990
$956 million, 5.625% Fixed Interest Rate Notes due February 2022 ("2022 Notes")	952	994
$780 million, 6.625% Fixed Interest Rate Notes due April 2021 ("2021 Notes")	776	994
$700 million, 6.75% Fixed Interest Rate Notes due July 2036 ("2036 Notes")	693	693
$500 million, 5.625% Fixed Interest Rate Notes due October 2023 ("2023 Notes")	498	497
$500 million, 5.25% Fixed Interest Rate Notes due February 2028 ("2028 Notes")	496	495
$338 million, 7.00% Fixed Interest Rate Notes due May 2020 ("2020 Notes")	337	398
$297 million, 6.694% Fixed Interest Rate Notes due January 2027 ("2027 Notes")	273	—
Secured Foreign Facilities	91	1
Total Senior Debt with Subsidiary Guarantee	$ 5,106	$ 5,062
Senior Debt		
$350 million, 6.95% Fixed Interest Rate Debentures due March 2033 ("2033 Notes")	$ 348	$ 348
$300 million, 7.60% Fixed Interest Rate Notes due July 2037 ("2037 Notes")	297	297
Unsecured Foreign Facilities	60	87
Total Senior Debt	$ 705	$ 732
Total	$ 5,811	$ 5,794
Current Debt	(72)	(87)
Total Long-term Debt, Net of Current Portion	$ 5,739	$ 5,707

The following table provides principal payments due on outstanding debt in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions)	
2019	$ 72
2020	347
2021	789
2022	1,018
2023	500
Thereafter	$ 3,147

Cash paid for interest was $380 million in 2018, $391 million in 2017 and $387 million in 2016.

Exchange of Notes

In June 2018, the Company completed private offers to exchange $62 million, $220 million and $44 million of outstanding 2020 Notes, 2021 Notes and 2022 Notes, respectively, for $297 million of newly issued 6.694% notes due in January 2027 and $52 million in cash consideration, which included a $24 million exchange premium. The exchange was treated as a modification under ASC 470, *Debt*, and no gain or loss was recognized. The exchange premium will be amortized through the maturity date of January 2027 and is included within Long-term Debt on the February 2, 2019 Consolidated Balance Sheet. The obligation to pay principal and interest on the 2027 Notes is jointly and severally guaranteed on a full and unconditional basis by certain of the Company's 100% owned subsidiaries (the "Guarantors").

Issuance of Notes

In January 2018, the Company issued $500 million of 5.25% notes due in February 2028. The obligation to pay principal and interest on these notes is jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The proceeds from the issuance were $495 million, which were net of issuance costs of $5 million. These issuance costs are being amortized through the maturity date of February 2028 and are included within Long-term Debt on the Consolidated Balance Sheets.

Redemption of Notes

In January 2018, the Company used the proceeds from the 2028 Notes to redeem the $500 million 2019 Notes for $540 million. In the fourth quarter of 2017, the Company recognized a pre-tax loss on extinguishment of this debt of $45 million (after-tax loss of $29 million), which includes write-offs of unamortized issuance costs and discounts and losses related to terminated interest rate swaps associated with the 2019 Notes. This loss is included in Other Income (Loss) in the 2017 Consolidated Statement of Income.

Secured Revolving Facility

The Company and the Guarantors guarantee and pledge collateral to secure a revolving credit facility. The Secured Revolving Facility has aggregate availability of $1 billion and expires in May 2022. The Secured Revolving Facility allows the Company and certain of the Company's non-U.S. subsidiaries to borrow and obtain letters of credit in U.S. dollars, Canadian dollars, Euros, Hong Kong dollars or British pounds.

The Secured Revolving Facility fees related to committed and unutilized amounts are 0.25% per annum, and the fees related to outstanding letters of credit are 1.50% per annum. In addition, the interest rate on outstanding U.S. dollar borrowings is LIBOR plus 1.50% per annum. The interest rate on outstanding foreign denominated borrowings is the applicable benchmark rate plus 1.50% per annum.

The Secured Revolving Facility contains fixed charge coverage and debt to EBITDA financial covenants. The Company is required to maintain a fixed charge coverage ratio of not less than 1.75 to 1.00 and a consolidated debt to consolidated EBITDA ratio not exceeding 4.00 to 1.00 for the most recent four-quarter period. In addition, the Secured Revolving Facility provides that investments and restricted payments may be made, without limitation on amount, if (a) at the time of and after giving effect to such investment or restricted payment, the ratio of consolidated debt to consolidated EBITDA for the most recent four-quarter period is less than 3.00 to 1.00 and (b) no default or event of default exists. As of February 2, 2019, the Company was in compliance with both of its financial covenants, and the ratio of consolidated debt to consolidated EBITDA was less than 3.00 to 1.00.

During 2018, the Company borrowed, and made payments of, $92 million under the Secured Revolving Facility. As of February 2, 2019, there were no borrowings outstanding under the Secured Revolving Facility.

The Secured Revolving Facility supports the Company's letter of credit program. The Company had $9 million of outstanding letters of credit as of February 2, 2019 that reduced its remaining availability under the Secured Revolving Facility.

Secured Foreign Facilities

The Company and the Guarantors guarantee and pledge collateral to secure revolving and term loan bank facilities used by certain of the Company's Greater China subsidiaries to support their operations. The Secured Foreign Facilities, which allow borrowings in U.S. dollars and Chinese Yuan, have availability totaling $100 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. During 2018, the Company borrowed $107 million and made payments of $17 million under the Secured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2018 was $99 million. Borrowings on the Secured Foreign Facilities mature between February 2019 and May 2022. As of February 2, 2019, borrowings of $12 million are included within Current Debt on the Consolidated Balance Sheet and the remaining borrowings are included within Long-term Debt.

Unsecured Foreign Facilities

The Company guarantees unsecured revolving and term loan bank facilities used by certain of the Company's Greater China subsidiaries to support their operations. The Unsecured Foreign Facilities, which allow borrowings in U.S. dollars and Chinese Yuan, have availability totaling $100 million. The interest rates on outstanding borrowings are based upon the applicable benchmark rate for the currency of each borrowing. During 2018, the Company borrowed $65 million and made payments of $92 million under the Unsecured Foreign Facilities. The maximum daily amount outstanding at any point in time in 2018 was $90 million. Borrowings on the Unsecured Foreign Facilities mature between March 2019 and December 2019. As of February 2, 2019, borrowings of $60 million are included within Current Debt on the Consolidated Balance Sheet.

14. Derivative Financial Instruments

Foreign Exchange Derivative Instruments

The earnings of the Company's wholly owned foreign businesses are subject to exchange rate risk as substantially all their merchandise is sourced through U.S. dollar transactions. The Company uses foreign currency forward contracts designated as cash flow hedges to mitigate this foreign currency exposure for its Canadian and U.K. businesses. These forward contracts currently have a maximum term of 18 months. Amounts are reclassified from accumulated other comprehensive income upon sale of the hedged merchandise to the customer. These gains and losses are recognized in Costs of Goods Sold, Buying and Occupancy in the Consolidated Statements of Income.

The Company had a cross-currency swap related to an intercompany loan of approximately CAD$170 million that matured in January 2018 which was designated as a cash flow hedge of foreign currency exchange risk. This cross-currency swap mitigated the exposures to fluctuations in the U.S. dollar-Canadian dollar exchange rate related to the Company's Canadian operations. Changes in the U.S. dollar-Canadian dollar exchange rate and the related swap settlements resulted in reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loan.

The Company uses foreign currency forward contracts to mitigate the impact of fluctuations in foreign currency exchange rates relative to recognized payable balances denominated in non-functional currencies. The fair value of these non-designated foreign currency forward contracts is not significant as of February 2, 2019.

The following table provides the U.S. dollar notional amount of outstanding foreign currency derivative financial instruments as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Notional Amount	$ 147	$ 217

The following table provides a summary of the fair value and balance sheet classification of outstanding derivative financial instruments designated as foreign currency cash flow hedges as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Other Current Assets	$ 2	$ —
Accrued Expenses and Other	—	8
Other Long-term Liabilities	—	1

The following table provides a summary of the pre-tax financial statement effect of the gains and losses on derivative financial instruments designated as foreign currency cash flow hedges for 2018 and 2017:

	2018	2017
	(in millions)	
Gain (Loss) Recognized in Accumulated Other Comprehensive Income	$ 11	$ (21)
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Costs of Goods Sold, Buying and Occupancy Expense (a)	2	(1)
(Gain) Loss Reclassified from Accumulated Other Comprehensive Income into Other Income (Loss) (b)	—	8

(a) Represents reclassification of amounts from accumulated other comprehensive income to earnings when the hedged merchandise is sold to the customer. No ineffectiveness was associated with these foreign currency cash flow hedges.

(b) Represents reclassification of amounts from accumulated other comprehensive income to earnings to completely offset foreign currency transaction gains and losses recognized on the intercompany loan.

The Company estimates that $3 million of net gains included in accumulated other comprehensive income as of February 2, 2019 related to foreign currency forward contracts designated as cash flow hedges will be reclassified into earnings within the

following 12 months. Actual amounts ultimately reclassified depend on the exchange rates in effect when derivative contracts that are currently outstanding mature.

15. Fair Value Measurements

The following table provides a summary of assets and liabilities measured in the consolidated financial statements at fair value on a recurring basis as of February 2, 2019 and February 3, 2018:

	Level 1	Level 2	Level 3	Total
		(in millions)		
As of February 2, 2019				
Assets:				
Cash and Cash Equivalents	$ 1,413	$ —	$ —	$ 1,413
Marketable Equity Securities	11	—	—	11
Foreign Currency Cash Flow Hedges	—	2	—	2
As of February 3, 2018				
Assets:				
Cash and Cash Equivalents	$ 1,515	$ —	$ —	$ 1,515
Marketable Equity Securities	17	—	—	17
Liabilities:				
Foreign Currency Cash Flow Hedges	—	9	—	9

The Company's Level 1 fair value measurements use unadjusted quoted prices in active markets for identical assets. The Company's marketable equity securities are classified as Level 1 fair value measurements as they are traded with sufficient frequency and volume to enable the Company to obtain pricing information on an ongoing basis.

In January 2016, the FASB issued ASC 321, *Investments - Equity Securities*. The standard requires the recognition of changes in the fair value of the Company's marketable equity securities in net income as compared to historical treatment in accumulated other comprehensive income. The Company adopted the standard in the first quarter of 2018. The Company recognized unrealized losses of $6 million in 2018 related to its marketable equity securities in Other Income (Loss) in the 2018 Consolidated Statement of Income.

In 2017, the Company purchased $10 million of marketable equity securities which are classified as available-for-sale. The cash payment is included in Purchases of Marketable Equity Securities in the Investing Activities section of the 2017 Consolidated Statement of Cash Flows.

In 2015, the Company purchased $10 million in marketable equity securities. In the first quarter of 2016, the Company sold a portion of this investment for $10 million and recognized a pre-tax gain of $4 million (after-tax gain of $3 million). The gain is included in Other Income (Loss) in the 2016 Consolidated Statement of Income, and the cash proceeds are included in Proceeds from Sale of Marketable Equity Securities in the Investing Activities section of the 2016 Consolidated Statement of Cash Flows.

The Company’s Level 2 fair value measurements use market approach valuation techniques. The primary inputs to these techniques include benchmark interest rates and foreign currency exchange rates, as applicable to the underlying instruments.

The following table provides a summary of the principal value and estimated fair value of outstanding publicly traded debt as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Principal Value	$ 5,722	$ 5,750
Fair Value (a)	5,340	5,943

(a) The estimated fair value of the Company's publicly traded debt is based on reported transaction prices which are considered Level 2 inputs in accordance with ASC 820, *Fair Value Measurement*. The estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

Management believes that the carrying values of accounts receivable, accounts payable, accrued expenses and current debt approximate fair value because of their short maturity.

16. Comprehensive Income

Comprehensive Income includes gains and losses on derivative instruments and foreign currency translation adjustments. The cumulative gains and losses on these items are included in Accumulated Other Comprehensive Income on the Consolidated Balance Sheets and Consolidated Statements of Shareholders' Equity (Deficit).

The following table provides the rollforward of accumulated other comprehensive income for 2018:

	Foreign Currency Translation	Cash Flow Hedges	Marketable Equity Securities	Accumulated Other Comprehensive Income
		(in millions)		
Balance as of February 3, 2018	$ 32	$ (10)	$ 2	$ 24
Amount reclassified to Retained Earnings upon adoption of ASC 321	—	—	(2)	(2)
Balance as of February 4, 2018	32	(10)	—	22
Other Comprehensive Income (Loss) Before Reclassifications	(20)	11	—	(9)
Amounts Reclassified from Accumulated Other Comprehensive Income	45	2	—	47
Tax Effect	—	(1)	—	(1)
Current-period Other Comprehensive Income	25	12	—	37
Balance as of February 2, 2019	$ 57	$ 2	$ —	$ 59

As a result of the divestiture of La Senza, the Company reclassified out of accumulated other comprehensive income and into earnings $45 million of accumulated foreign-currency translation adjustments related to La Senza. For additional information, see Note 6, "Restructuring Activities."

The following table provides the rollforward of accumulated other comprehensive income for 2017:

	Foreign Currency Translation	Cash Flow Hedges	Marketable Equity Securities	Accumulated Other Comprehensive Income
		(in millions)		
Balance as of January 28, 2017	$ 9	$ 3	$ —	$ 12
Other Comprehensive Income (Loss) Before Reclassifications	23	(21)	2	4
Amounts Reclassified from Accumulated Other Comprehensive Income	—	7	—	7
Tax Effect	—	1	—	1
Current-period Other Comprehensive Income (Loss)	23	(13)	2	12
Balance as of February 3, 2018	$ 32	$ (10)	$ 2	$ 24

The following table provides a summary of the reclassification adjustments out of accumulated other comprehensive income related to derivative financial instruments designated as foreign currency cash flow hedges for 2018 and 2017:

Location on Consolidated Statements of Income	(Gain) Loss Reclassified from Accumulated Other Comprehensive Income	
	2018	2017
	(in millions)	
Costs of Goods Sold, Buying and Occupancy	$ 2	$ (1)
Other Income (Loss)	—	8
Provision for Income Taxes	—	—
Net Income	$ 2	$ 7

17. Leases

For information regarding the future impacts as a result of the Company's adoption of ASC 842, *Leases,* in the first quarter of 2019, refer to Note 2, "New Accounting Pronouncements."

Operating Leases

The Company is committed to noncancelable leases with remaining terms generally from one to ten years. A substantial portion of the Company's leases consist of store leases generally with an initial term of ten years. Annual store rent consists of a fixed minimum amount and/or contingent rent based on a percentage of sales exceeding a stipulated amount. Store lease terms generally require additional payments covering certain operating costs such as common area maintenance, utilities, insurance and taxes. These additional payments are excluded from the table below.

The following table provides rent expense for 2018, 2017 and 2016:

	2018	2017	2016
		(in millions)	
Store Rent:			
Fixed Minimum	$ 663	$ 642	$ 607
Contingent	72	67	71
Total Store Rent	735	709	678
Office, Equipment and Other	98	94	87
Gross Rent Expense	833	803	765
Sublease Rental Income	(2)	(2)	(2)
Total Rent Expense	$ 831	$ 801	$ 763

The following table provides the Company's minimum rent commitments under noncancelable operating leases in the next five fiscal years and the remaining years thereafter:

Fiscal Year (in millions) (a)	
2019	$ 698
2020	676
2021	630
2022	562
2023	504
Thereafter	$ 1,738

(a) Excludes additional payments covering taxes, common area costs and certain other expenses generally required by store lease terms.

Capital Leases

The Company leases certain fulfillment equipment under capital leases that expire at various dates through 2023. The Company recorded $26 million of capital lease assets, net of accumulated amortization, in Property and Equipment, Net on the February 2, 2019 Consolidated Balance Sheet. Additionally, the Company recorded capital lease liabilities of $8 million and

$19 million in Accrued Expenses and Other and Other Long-term Liabilities, respectively, on the February 2, 2019 Consolidated Balance Sheet.

Asset Retirement Obligations

The Company has asset retirement obligations related to certain company-owned international stores that contractually obligate the Company to remove leasehold improvements at the end of a lease. The Company's liability for asset retirement obligations totaled $18 million as of February 2, 2019 and $9 million as of February 3, 2018. These liabilities are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

18. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, insurance, regulatory and other matters arising out of the normal course of business. Actions filed against the Company from time to time include commercial, tort, intellectual property, customer, employment, data privacy, securities and other claims, including purported class action lawsuits. Management believes that the ultimate liability arising from such claims and contingencies, if any, is not likely to have a material adverse effect on the Company's results of operations, financial condition or cash flows.

Guarantees

In connection with the sale of La Senza, the Company has remaining guarantees of $76 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2028. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. The Company recognized an initial liability of $5 million representing the estimated fair value of its obligation as guarantor in accordance with ASC 460, *Guarantees.*

In connection with the disposition of a certain other business, the Company has remaining guarantees of $6 million related to lease payments under the current terms of noncancelable leases expiring at various dates through 2021. These guarantees include minimum rent and additional payments covering taxes, common area costs and certain other expenses and relate to leases that commenced prior to the disposition of the business. In certain instances, the Company's guarantee may remain in effect if the term of a lease is extended. The Company has not recorded a liability with respect to these guarantee obligations as of February 2, 2019 or February 3, 2018 as it concluded that payments under these guarantees were not probable.

In connection with noncancelable operating leases of certain assets, the Company provided residual value guarantees to the lessor if the leased assets cannot be sold for an amount in excess of a specified minimum value at the conclusion of the lease term. The leases expire at various dates through 2021, and the total amount of the guarantees is $94 million. The Company recorded a liability of $11 million and $3 million related to these guarantee obligations as of February 2, 2019 and February 3, 2018, respectively, which are included in Other Long-term Liabilities on the Consolidated Balance Sheets.

19. Retirement Benefits

The Company sponsors a tax-qualified defined contribution retirement plan and a non-qualified supplemental retirement plan for substantially all of its associates within the U.S. Participation in the tax-qualified plan is available to associates who meet certain age and service requirements. Participation in the non-qualified plan is available to associates who meet certain age, service, job level and compensation requirements.

The qualified plan permits participating associates to elect contributions up to the maximum limits allowable under the Internal Revenue Code. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible annual compensation and years of service. Associate contributions and Company matching contributions vest immediately. Additional Company contributions and the related investment earnings are subject to vesting based on years of service. Total expense recognized related to the qualified plan was $76 million for 2018, $68 million for 2017 and $67 million for 2016.

The non-qualified plan is an unfunded plan which provides benefits beyond the Internal Revenue Code limits for qualified defined contribution plans. The plan permits participating associates to elect contributions up to a maximum percentage of eligible compensation. The Company matches associate contributions according to a predetermined formula and contributes additional amounts based on a percentage of the associates' eligible compensation and years of service. The plan also permits participating associates to defer additional compensation up to a maximum amount which the Company does not match. Associates' accounts are credited with interest using a fixed rate determined by the Company and reviewed by the Compensation Committee of the Board of Directors, prior to the beginning of each year. Associate contributions and the related interest vest immediately. Company contributions, along with related interest, are subject to vesting based on years of service. Associates may elect in-service distributions for the unmatched additional deferred compensation component only. The

remaining vested portion of associates' accounts in the plan will be distributed upon termination of employment in either a lump sum or in annual installments over a specified period of up to 10 years.

The following table provides the Company's annual activity for this plan and year-end liability, included in Other Long-term Liabilities on the Consolidated Balance Sheets, as of February 2, 2019 and February 3, 2018:

	February 2, 2019	February 3, 2018
	(in millions)	
Balance at Beginning of Year	$ 269	$ 258
Contributions:		
Associate	10	9
Company	11	9
Interest	13	11
Distributions	(25)	(18)
Balance at End of Year	$ 278	$ 269

Total expense recognized related to the non-qualified plan was $24 million for 2018, $20 million for 2017 and $26 million for 2016.

20. Shareholders' Equity (Deficit)

Common Stock Share Repurchases

Under the authority of the Company's Board of Directors, the Company repurchased shares of its common stock under the following repurchase programs for fiscal 2018, 2017 and 2016:

		Shares Repurchased			Amount Repurchased			Average Stock Price of Shares Repurchased within Program
Repurchase Program	Amount Authorized	2018	2017	2016	2018	2017	2016	
	(in millions)	(in thousands)			(in millions)			
March 2018	$ 250	4,852	NA	NA	$ 171	NA	NA	$ 35.29
September 2017	250	527	3,858	NA	25	$ 202	NA	$ 51.72
February 2017	250	NA	5,500	NA	NA	240	NA	$ 43.57
February 2016	500	NA	51	5,719	NA	3	$ 438	$ 76.47
Total		5,379	9,409	5,719	$ 196	$ 445	$ 438	

In March 2018, the Company's Board of Directors approved a new $250 million share repurchase program, which included the $23 million remaining under the September 2017 repurchase program.

In September 2017, the Company's Board of Directors approved a $250 million share repurchase program, which included the $10 million remaining under the February 2017 repurchase program.

In February 2017, the Company's Board of Directors approved a $250 million share repurchase program, which included the $59 million remaining under the February 2016 repurchase program.

In February 2016, the Company's Board of Directors approved a $500 million share repurchase program, which included the $17 million remaining under the June 2015 repurchase program.

The March 2018 repurchase program had $79 million remaining as of February 2, 2019.

There were $2 million of share repurchases reflected in Accounts Payable on the February 3, 2018 Consolidated Balance Sheet.

Treasury Stock Retirement

In November 2017, the Company retired 36 million shares of its treasury stock. The retirement resulted in a reduction of $2.036 billion in Treasury Stock, $18 million in the par value of Common Stock, $82 million in Paid-in Capital and $1.936 billion in Retained Earnings.

Dividends

Under the authority and declaration of the Board of Directors, the Company paid the following dividends during fiscal 2018, 2017 and 2016:

	Ordinary Dividends	Special Dividends	Total Dividends	Total Paid
		(per share)		(in millions)
2018				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 166
Third Quarter	0.60	—	0.60	165
Second Quarter	0.60	—	0.60	167
First Quarter	0.60	—	0.60	168
2018 Total	$ 2.40	$ —	$ 2.40	$ 666
2017				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 170
Third Quarter	0.60	—	0.60	172
Second Quarter	0.60	—	0.60	172
First Quarter	0.60	—	0.60	172
2017 Total	$ 2.40	$ —	$ 2.40	$ 686
2016				
Fourth Quarter	$ 0.60	$ —	$ 0.60	$ 172
Third Quarter	0.60	—	0.60	173
Second Quarter	0.60	—	0.60	173
First Quarter	0.60	2.00	2.60	750
2016 Total	$ 2.40	$ 2.00	$ 4.40	$ 1,268

Subsequent to February 2, 2019, the Company's Board of Directors declared the first quarter of 2019 ordinary dividend of $0.30 per share.

21. Share-based Compensation

Plan Summary

In 2015, the Company's shareholders approved the 2015 Stock Option and Performance Incentive Plan ("2015 Plan"). The 2015 Plan provides for the grant of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, performance-based restricted stock, performance units and unrestricted shares. The Company grants stock options at a price equal to the fair market value of the stock on the date of grant. Stock options have a maximum term of 10 years. Stock options generally vest ratably over three to five years. Restricted stock generally vests (the restrictions lapse) at the end of a three-year period or on a graded basis over a five-year period.

Under the Company’s plans, 160 million options, restricted and unrestricted shares have been authorized to be granted to employees and directors. There were 9 million options and shares available for grant as of February 2, 2019.

From time to time the Company's Board of Directors will declare special dividends. In accordance with the anti-dilutive provisions of the stock plan, in these circumstances the Company adjusts both the exercise price and the number of share-based awards outstanding as of the record date of the special dividends. The aggregate fair value, the aggregate intrinsic value and the ratio of the exercise price to the market price are approximately equal immediately before and after the adjustments. Therefore, no compensation expense is recognized.

Stock Options

The following table provides the Company’s stock option activity for the fiscal year ended February 2, 2019:

	Number of Shares	Weighted Average Option Price Per Share	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
	(in thousands)		(in years)	(in thousands)
Outstanding as of February 3, 2018	4,472	$ 57.03		
Granted	1,438	39.06		
Exercised	(84)	14.52		
Cancelled	(534)	53.72		
Outstanding as of February 2, 2019	5,292	$ 53.14	6.48	$ 3,384
Vested and Expected to Vest as of February 2, 2019 (a)	5,124	53.44	6.40	3,384
Options Exercisable as of February 2, 2019	2,759	55.11	4.76	3,384

(a) The number of options expected to vest includes an estimate of expected forfeitures.

Intrinsic value for stock options is the difference between the current market value of the Company’s stock and the option strike price. The total intrinsic value of options exercised was $2 million for 2018, $44 million for 2017 and $30 million for 2016.

The total fair value at grant date of option awards vested was $9 million for 2018 and $10 million for 2017 and 2016.

The Company’s total unrecognized compensation cost, net of estimated forfeitures, related to nonvested options was $13 million as of February 2, 2019. This cost is expected to be recognized over a weighted-average period of 2.3 years.

The weighted-average estimated fair value of stock options granted was $6.76 per share for 2018, $5.96 per share for 2017 and $11.72 per share for 2016.

Cash received from stock options exercised was $1 million for 2018, $38 million for 2017 and $20 million for 2016. Tax benefits realized from tax deductions associated with stock options exercised were less than $1 million for 2018, $16 million for 2017 and $9 million for 2016.

The Company uses the Black-Scholes option-pricing model for valuation of options granted to employees and directors. The Company’s determination of the fair value of options is affected by the Company’s stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company’s expected stock price volatility over the term of the awards and projected employee stock option exercise behaviors.

The following table contains the weighted-average assumptions used during 2018, 2017 and 2016:

	2018	2017	2016
Expected Volatility	36%	28%	25%
Risk-free Interest Rate	2.5%	1.5%	1.1%
Dividend Yield	5.8%	5.1%	3.3%
Expected Life (in years)	2.9	3.0	4.1

The majority of the Company’s stock-based compensation awards are granted on an annual basis in the first quarter of each year. The expected volatility assumption is based on the Company’s analysis of historical volatility. The risk-free interest rate assumption is based upon the average daily closing rates during the period for U.S. treasury notes that have a life which approximates the expected life of the option. The dividend yield assumption is based on the Company’s history and expectation of dividend payouts in relation to the stock price at the grant date. The expected life of employee stock options represents the weighted-average period the stock options are expected to remain outstanding.

Restricted Stock

The following table provides the Company's restricted stock activity for the fiscal year ended February 2, 2019:

	Number of Shares		Weighted Average Grant Date Fair Value
	(in thousands)		
Unvested as of February 3, 2018	5,699	$	57.97
Granted	2,938		30.43
Vested	(1,255)		68.38
Cancelled	(693)		44.61
Unvested as of February 2, 2019	6,689	$	45.29

The Company's total intrinsic value of restricted stock vested was $44 million for 2018, $86 million for 2017 and $140 million for 2016.

The Company's total fair value at grant date of awards vested was $86 million for 2018, $87 million for 2017 and $68 million for 2016. Fair value of restricted stock awards is based on the market value of an unrestricted share on the grant date adjusted for anticipated dividend yields.

As of February 2, 2019, there was $108 million of total unrecognized compensation cost, net of estimated forfeitures, related to unvested restricted stock. That cost is expected to be recognized over a weighted-average period of 2.3 years.

The weighted-average estimated fair value of restricted stock granted was $30.43 per share for 2018, $39.21 per share for 2017 and $75.09 per share for 2016.

Tax benefits realized from tax deductions associated with restricted stock vested were $10 million for 2018, $32 million for 2017 and $61 million for 2016.

Income Statement Impact

The following table provides share-based compensation expense included in the Consolidated Statements of Income for 2018, 2017 and 2016:

		2018		2017		2016
				(in millions)		
Costs of Goods Sold, Buying and Occupancy	$	29	$	32	$	31
General, Administrative and Store Operating Expenses		68		70		65
Total Share-based Compensation Expense	$	97	$	102	$	96

Share-based compensation expense is based on awards that are ultimately expected to vest. The Company estimates forfeitures at the time of grant and adjusts, if necessary, in subsequent periods based on historical experience and expected future termination rates.

The tax benefit associated with recognized share-based compensation expense was $20 million for 2018, $23 million for 2017 and $32 million for 2016.

22. Segment Information

The Company has three reportable segments: Victoria's Secret, Bath & Body Works and Victoria's Secret and Bath & Body Works International.

The Victoria's Secret segment sells women's intimate and other apparel, personal care and beauty products under the Victoria's Secret and PINK brand names. Victoria's Secret merchandise is sold online and through retail stores located in the U.S. and Canada.

The Bath & Body Works segment sells body care, home fragrance products, soaps and sanitizers under the Bath & Body Works, White Barn, C.O. Bigelow and other brand names. Bath & Body Works merchandise is sold online and at retail stores located in the U.S. and Canada.

The Victoria's Secret and Bath & Body Works International segment includes the Victoria's Secret and Bath & Body Works company-owned and partner-operated stores located outside of the U.S. and Canada, as well as the online business in Greater China. This segment includes the following:

- Victoria's Secret International, comprised of company-owned stores in the U.K., Ireland and Greater China, as well as stores operated by partners under franchise and license arrangements;
- Victoria's Secret Beauty and Accessories, comprised of company-owned stores in Greater China, as well as stores operated by partners under franchise, license and wholesale arrangements, which feature Victoria's Secret branded beauty and accessories products in travel retail and other locations; and
- Bath & Body Works International stores operated by partners under franchise, license and wholesale arrangements.

Other consists of the following:

- Mast Global, a merchandise sourcing and production function serving the Company and its international partners;
- La Senza, which sold women's intimate apparel online and through company-owned stores located in Canada and the U.S., as well as stores operated by partners under franchise and license arrangements;
- Henri Bendel, which sold handbags, jewelry and other accessory products online and through company-owned stores; and
- Corporate functions including non-core real estate, equity investments and other governance functions such as treasury and tax.

In January 2019, the Company completed the sale of the La Senza business and closed all of its Henri Bendel stores and the website. For additional information, see Note 6, "Restructuring Activities."

The following table provides the Company's segment information as of and for the fiscal years ended February 2, 2019, February 3, 2018 and January 28, 2017:

	Victoria's Secret	Bath & Body Works	Victoria's Secret and Bath & Body Works International	Other	Total
			(in millions)		
February 2, 2019					
Net Sales	$ 7,375	$ 4,631	$ 605	$ 626	$ 13,237
Depreciation and Amortization	280	121	43	103	547
Operating Income (Loss) (a)	462	1,077	(37)	(265)	1,237
Total Assets (b)	3,129	1,898	842	2,221	8,090
Capital Expenditures	150	242	97	140	629
February 3, 2018					
Net Sales	$ 7,387	$ 4,148	$ 502	$ 595	$ 12,632
Depreciation and Amortization	279	101	30	114	524
Operating Income (Loss)	932	953	5	(162)	1,728
Total Assets (b)	3,369	1,753	800	2,227	8,149
Capital Expenditures	270	232	111	94	707
January 28, 2017					
Net Sales	$ 7,781	$ 3,852	$ 423	$ 518	$ 12,574
Depreciation and Amortization	252	91	17	112	472
Operating Income (Loss)	1,173	907	40	(117)	2,003
Total Assets (b)	3,285	1,632	593	2,660	8,170
Capital Expenditures	460	250	68	212	990

(a) Victoria's Secret and Victoria's Secret and Bath & Body Works International includes long-lived store asset impairment charges of $70 million and $31 million, respectively, and Other includes a loss on sale of La Senza of $99 million and Henri Bendel closures costs of $23 million. For additional information see Note 6, "Restructuring Activities" and Note 8, "Property and Equipment, Net."

(b) Assets are allocated to the operating segments based on decision making authority relevant to the applicable assets.

The Company's international net sales include sales from company-owned stores, royalty revenue from franchise and license arrangements, wholesale revenues and direct sales shipped internationally. Certain of these sales are subject to the impact of

fluctuations in foreign currency. The Company's international net sales across all segments totaled $1.683 billion in 2018, $1.553 billion in 2017 and $1.408 billion in 2016. The Company's internationally based long-lived assets were $454 million as of February 2, 2019 and $451 million as of February 3, 2018.

23. Quarterly Financial Data (Unaudited)

The following table provides summarized quarterly financial data for 2018:

	Fiscal Quarter Ended			
	May 5, 2018	August 4, 2018	November 3, 2018 (a)(b)	February 2, 2019 (c)
	(in millions except per share data)			
Net Sales	$ 2,626	$ 2,984	$ 2,775	$ 4,852
Gross Profit	944	1,059	928	1,968
Operating Income	155	228	54	800
Income (Loss) Before Income Taxes	59	129	(41)	710
Net Income (Loss)	48	99	(43)	540
Net Income (Loss) Per Basic Share (d)	$ 0.17	$ 0.36	$ (0.16)	$ 1.96
Net Income (Loss) Per Diluted Share (d)	$ 0.17	$ 0.36	$ (0.16)	$ 1.94

(a) Gross profit includes the effect of an $81 million charge ($73 million after-tax) related to the impairment of certain Victoria's Secret store assets.
(b) Operating income includes the effect of $20 million ($15 million after-tax) of Henri Bendel closure costs.
(c) Operating income includes the effect of a pre-tax loss of $99 million ($55 million after-tax) related to the divestiture of La Senza.
(d) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

The following table provides summarized quarterly financial data for 2017:

	Fiscal Quarter Ended			
	April 29, 2017	July 29, 2017	October 28, 2017	February 3, 2018 (a)(b)(c)
	(in millions except per share data)			
Net Sales	$ 2,437	$ 2,755	$ 2,618	$ 4,823
Gross Profit	903	1,028	989	2,040
Operating Income	209	301	232	987
Income Before Income Taxes	118	217	135	842
Net Income	94	139	86	664
Net Income Per Basic Share (d)	$ 0.33	$ 0.48	$ 0.30	$ 2.36
Net Income Per Diluted Share (d)	$ 0.33	$ 0.48	$ 0.30	$ 2.33

(a) Net income includes the effect of a pre-tax loss of $45 million ($29 million after-tax) associated with the early extinguishment of the 2019 Notes.
(b) Includes the effect of a $92 million tax benefit related to changes in U.S. tax legislation.
(c) The Company utilizes the retail calendar for reporting. As such, the results for fiscal 2017 represent the 53-week period ended February 3, 2018 and the fourth quarter consists of a 14-week period.
(d) Due to changes in stock prices during the year and timing of issuances and repurchases of shares, the cumulative total of quarterly net income per share amounts may not equal the net income per share for the year.

24. Supplemental Guarantor Financial Information

The Company's 2020 Notes, 2021 Notes, 2022 Notes, 2023 Notes, 2027 Notes, 2028 Notes, 2035 Notes, 2036 Notes, Secured Revolving Facility and Secured Foreign Facilities are jointly and severally guaranteed on a full and unconditional basis by the Guarantors. The Company is a holding company, and its most significant assets are the stock of its subsidiaries. The Guarantors represent: (a) substantially all of the sales of the Company's domestic subsidiaries, (b) more than 90% of the assets owned by the Company's domestic subsidiaries, other than real property, certain other assets and intercompany investments and balances, and (c) more than 95% of the accounts receivable and inventory directly owned by the Company's domestic subsidiaries.

The following supplemental financial information sets forth for the Company and its guarantor and non-guarantor subsidiaries: the Condensed Consolidating Balance Sheets as of February 2, 2019 and February 3, 2018 and the Condensed Consolidating Statements of Income, Comprehensive Income and Cash Flows for the years ended February 2, 2019, February 3, 2018 and January 28, 2017.

L BRANDS, INC.

CONDENSED CONSOLIDATING BALANCE SHEET

(in millions)

	February 2, 2019				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 997	$ 416	$ —	$ 1,413
Accounts Receivable, Net	—	241	126	—	367
Inventories	—	1,093	155	—	1,248
Other	—	139	93	—	232
Total Current Assets	—	2,470	790	—	3,260
Property and Equipment, Net	—	1,922	896	—	2,818
Goodwill	—	1,318	30	—	1,348
Trade Names	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,755	19,737	2,047	(26,539)	—
Deferred Income Taxes	—	9	53	—	62
Other Assets	127	15	670	(621)	191
Total Assets	$ 4,882	$ 25,882	$ 4,486	$ (27,160)	$ 8,090
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ —	$ 363	$ 348	$ —	$ 711
Accrued Expenses and Other	92	597	393	—	1,082
Current Debt	—	—	72	—	72
Income Taxes	(7)	100	28	—	121
Total Current Liabilities	85	1,060	841	—	1,986
Deferred Income Taxes	1	(44)	269	—	226
Long-term Debt	5,661	606	79	(607)	5,739
Other Long-term Liabilities	59	852	107	(14)	1,004
Total Equity (Deficit)	(924)	23,408	3,190	(26,539)	(865)
Total Liabilities and Equity (Deficit)	$ 4,882	$ 25,882	$ 4,486	$ (27,160)	$ 8,090

L BRANDS, INC.
CONDENSED CONSOLIDATING BALANCE SHEET
(in millions)

	February 3, 2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ —	$ 1,164	$ 351	$ —	$ 1,515
Accounts Receivable, Net	—	186	124	—	310
Inventories	—	1,095	145	—	1,240
Other	—	132	96	—	228
Total Current Assets	—	2,577	716	—	3,293
Property and Equipment, Net	—	1,984	909	—	2,893
Goodwill	—	1,318	30	—	1,348
Trade Names	—	411	—	—	411
Net Investments in and Advances to/from Consolidated Affiliates	4,973	18,298	2,106	(25,377)	—
Deferred Income Taxes	—	10	4	—	14
Other Assets	129	18	654	(611)	190
Total Assets	$ 5,102	$ 24,616	$ 4,419	$ (25,988)	$ 8,149
LIABILITIES AND EQUITY (DEFICIT)					
Current Liabilities:					
Accounts Payable	$ 2	$ 349	$ 366	$ —	$ 717
Accrued Expenses and Other	101	529	399	—	1,029
Current Debt	—	—	87	—	87
Income Taxes	6	174	18	—	198
Total Current Liabilities	109	1,052	870	—	2,031
Deferred Income Taxes	(2)	(46)	286	—	238
Long-term Debt	5,706	597	1	(597)	5,707
Other Long-term Liabilities	64	774	100	(14)	924
Total Equity (Deficit)	(775)	22,239	3,162	(25,377)	(751)
Total Liabilities and Equity (Deficit)	$ 5,102	$ 24,616	$ 4,419	$ (25,988)	$ 8,149

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF INCOME
(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 12,467	$ 3,780	$ (3,010)	$ 13,237
Costs of Goods Sold, Buying and Occupancy	—	(8,015)	(2,996)	2,673	(8,338)
Gross Profit	—	4,452	784	(337)	4,899
General, Administrative and Store Operating Expenses	(9)	(3,304)	(482)	232	(3,563)
Loss on Divestiture of La Senza	—	(24)	(75)	—	(99)
Operating Income (Loss)	(9)	1,124	227	(105)	1,237
Interest Expense	(379)	(108)	(6)	108	(385)
Other Income (Loss)	—	13	(8)	—	5
Income (Loss) Before Income Taxes	(388)	1,029	213	3	857
Provision (Benefit) for Income Taxes	12	100	101	—	213
Equity in Earnings, Net of Tax	1,044	169	353	(1,566)	—
Net Income (Loss)	$ 644	$ 1,098	$ 465	$ (1,563)	$ 644

L BRANDS, INC.
CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME
(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 644	$ 1,098	$ 465	$ (1,563)	$ 644
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	(20)	—	(20)
Reclassification of Foreign Currency Translation to Earnings	—	—	45	—	45
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	10	—	10
Reclassification of Cash Flow Hedges to Earnings	—	—	2	—	2
Total Other Comprehensive Income (Loss), Net of Tax	—	—	37	—	37
Total Comprehensive Income (Loss)	$ 644	$ 1,098	$ 502	$ (1,563)	$ 681

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 11,931	$ 3,728	$ (3,027)	$ 12,632
Costs of Goods Sold, Buying and Occupancy	—	(7,463)	(2,868)	2,658	(7,673)
Gross Profit	—	4,468	860	(369)	4,959
General, Administrative and Store Operating Expenses	(10)	(3,063)	(426)	268	(3,231)
Operating Income (Loss)	(10)	1,405	434	(101)	1,728
Interest Expense	(403)	(99)	(13)	109	(406)
Other Income (Loss)	(46)	11	25	—	(10)
Income (Loss) Before Income Taxes	(459)	1,317	446	8	1,312
Provision (Benefit) for Income Taxes	65	316	(52)	—	329
Equity in Earnings, Net of Tax	1,507	522	412	(2,441)	—
Net Income (Loss)	$ 983	$ 1,523	$ 910	$ (2,433)	$ 983

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 983	$ 1,523	$ 910	$ (2,433)	$ 983
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	23	—	23
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(20)	—	(20)
Reclassification of Cash Flow Hedges to Earnings	—	—	7	—	7
Unrealized Gain (Loss) on Marketable Securities	—	—	2	—	2
Total Other Comprehensive Income (Loss), Net of Tax	—	—	12	—	12
Total Comprehensive Income (Loss)	$ 983	$ 1,523	$ 922	$ (2,433)	$ 995

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF INCOME

(in millions)

	2016				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Sales	$ —	$ 11,959	$ 3,533	$ (2,918)	$ 12,574
Costs of Goods Sold, Buying and Occupancy	—	(7,277)	(2,854)	2,682	(7,449)
Gross Profit	—	4,682	679	(236)	5,125
General, Administrative and Store Operating Expenses	(8)	(2,843)	(457)	186	(3,122)
Operating Income (Loss)	(8)	1,839	222	(50)	2,003
Interest Expense	(394)	(60)	(11)	71	(394)
Other Income (Loss)	(35)	3	119	—	87
Income (Loss) Before Income Taxes	(437)	1,782	330	21	1,696
Provision (Benefit) for Income Taxes	(10)	432	116	—	538
Equity in Earnings, Net of Tax	1,585	39	376	(2,000)	—
Net Income (Loss)	$ 1,158	$ 1,389	$ 590	$ (1,979)	$ 1,158

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF COMPREHENSIVE INCOME

(in millions)

	2016				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Income (Loss)	$ 1,158	$ 1,389	$ 590	$ (1,979)	$ 1,158
Other Comprehensive Income (Loss), Net of Tax:					
Foreign Currency Translation	—	—	(19)	—	(19)
Unrealized Gain (Loss) on Cash Flow Hedges	—	—	(8)	—	(8)
Reclassification of Cash Flow Hedges to Earnings	—	—	7	—	7
Unrealized Gain (Loss) on Marketable Securities	—	—	(5)	—	(5)
Reclassification of Gain on Marketable Securities to Earnings	—	—	(3)	—	(3)
Total Other Comprehensive Income (Loss), Net of Tax	—	—	(28)	—	(28)
Total Comprehensive Income (Loss)	$ 1,158	$ 1,389	$ 562	$ (1,979)	$ 1,130

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2018				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (424)	$ 1,541	$ 260	$ —	$ 1,377
Investing Activities:					
Capital Expenditures	—	(398)	(231)	—	(629)
Return of Capital from Easton Investments	—	—	16	—	16
Net Investments in Consolidated Affiliates	—	—	(21)	21	—
Other Investing Activities	—	4	—	—	4
Net Cash Provided by (Used for) Investing Activities	—	(394)	(236)	21	(609)
Financing Activities:					
Payment of Long-term Debt	(52)	—	—	—	(52)
Borrowings from Secured Revolving Facility	92	—	—	—	92
Repayments of Secured Revolving Facility	(92)	—	—	—	(92)
Borrowings from Foreign Facilities	—	—	172	—	172
Repayments of Foreign Facilities	—	—	(109)	—	(109)
Dividends Paid	(666)	—	—	—	(666)
Repurchases of Common Stock	(198)	—	—	—	(198)
Tax Payments related to Share-based Awards	(13)	—	—	—	(13)
Net Financing Activities and Advances to/from Consolidated Affiliates	1,355	(1,310)	(24)	(21)	—
Proceeds from Exercise of Stock Options	1	—	—	—	1
Financing Costs and Other	(3)	(4)	—	—	(7)
Net Cash Provided by (Used for) Financing Activities	424	(1,314)	39	(21)	(872)
Effects of Exchange Rate Changes on Cash	—	—	2	—	2
Net Increase (Decrease) in Cash and Cash Equivalents	—	(167)	65	—	(102)
Cash and Cash Equivalents, Beginning of Year	—	1,164	351	—	1,515
Cash and Cash Equivalents, End of Year	$ —	$ 997	$ 416	$ —	$ 1,413

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2017				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (401)	$ 1,353	$ 454	$ —	$ 1,406
Investing Activities:					
Capital Expenditures	—	(495)	(212)	—	(707)
Return of Capital from Easton Investments	—	—	29	—	29
Purchase of Marketable Securities	—	—	(10)	—	(10)
Other Investing Activities	—	(1)	(9)	—	(10)
Net Cash Provided by (Used for) Investing Activities	—	(496)	(202)	—	(698)
Financing Activities:					
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	495	—	—	—	495
Payment of Long-term Debt	(540)	—	—	—	(540)
Borrowings from Foreign Facilities	—	—	96	—	96
Repayments of Foreign Facilities	—	—	(44)	—	(44)
Dividends Paid	(686)	—	—	—	(686)
Repurchases of Common Stock	(446)	—	—	—	(446)
Tax Payments related to Share-based Awards	(32)	—	—	—	(32)
Net Financing Activities and Advances to/from Consolidated Affiliates	1,577	(1,252)	(325)	—	—
Proceeds from Exercise of Stock Options	38	—	—	—	38
Financing Costs and Other	(5)	(3)	—	—	(8)
Net Cash Provided by (Used for) Financing Activities	401	(1,255)	(273)	—	(1,127)
Effects of Exchange Rate Changes on Cash	—	—	—	—	—
Net Increase (Decrease) in Cash and Cash Equivalents	—	(398)	(21)	—	(419)
Cash and Cash Equivalents, Beginning of Year	—	1,562	372	—	1,934
Cash and Cash Equivalents, End of Year	$ —	$ 1,164	$ 351	$ —	$ 1,515

L BRANDS, INC.

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

(in millions)

	2016				
	L Brands, Inc.	Guarantor Subsidiaries	Non-guarantor Subsidiaries	Eliminations	Consolidated L Brands, Inc.
Net Cash Provided by (Used for) Operating Activities	$ (404)	$ 1,885	$ 509	$ —	$ 1,990
Investing Activities:					
Capital Expenditures	—	(705)	(285)	—	(990)
Return of Capital from Easton Investments	—	—	119	—	119
Proceeds from Sale of Assets	—	—	53	—	53
Proceeds from Sale of Marketable Securities	—	—	10	—	10
Acquisition, Net of Cash Acquired of $1	—	—	(33)	—	(33)
Other Investing Activities	—	(2)	10	—	8
Net Cash Provided by (Used for) Investing Activities	—	(707)	(126)	—	(833)
Financing Activities:					
Proceeds from Issuance of Long-term Debt, Net of Issuance Costs	692	—	—	—	692
Payment of Long-term Debt	(742)	—	—	—	(742)
Borrowings from Foreign Facilities	—	—	35	—	35
Repayments of Foreign Facilities	—	—	(6)	—	(6)
Dividends Paid	(1,268)	—	—	—	(1,268)
Repurchases of Common Stock	(435)	—	—	—	(435)
Tax Payments related to Share-based Awards	(58)	—	—	—	(58)
Net Financing Activities and Advances to/from Consolidated Affiliates	2,195	(1,803)	(392)	—	—
Proceeds from Exercise of Stock Options	20	—	—	—	20
Financing Costs and Other	—	(3)	—	—	(3)
Net Cash Provided by (Used for) Financing Activities	404	(1,806)	(363)	—	(1,765)
Effects of Exchange Rate Changes on Cash	—	—	(6)	—	(6)
Net Increase (Decrease) in Cash and Cash Equivalents	—	(628)	14	—	(614)
Cash and Cash Equivalents, Beginning of Year	—	2,190	358	—	2,548
Cash and Cash Equivalents, End of Year	$ —	$ 1,562	$ 372	$ —	$ 1,934

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of the end of the period covered by this report, our disclosure controls and procedures were effective and designed to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting. Management's Report on Internal Control Over Financial Reporting as of February 2, 2019 is set forth in Item 8. Financial Statements and Supplementary Data.

Attestation Report of the Registered Public Accounting Firm. The Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting as of February 2, 2019 is set forth in Item 8. Financial Statements and Supplementary Data.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting that occurred in the fourth quarter 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Information regarding our directors, executive officers and corporate governance is set forth under the captions “ELECTION OF DIRECTORS—Nominees and Directors”, “—Director Independence”, “—Board Leadership Structure ”, “—Risk Oversight; Certain Compensation Matters”, “—Cybersecurity Risk", “—Review of Strategic Plans and Capital Structure", “—Social Responsibility", “—Human Capital Management", “—Succession Planning", “—Information Concerning Board Meeting Attendance”, “—Committees of the Board”, “—Meetings of the Company's Non-Management Directors”, “—Communications with Stockholders”, “—Attendance at Annual Meetings”, “—Code of Conduct, Related Person Transaction Policy and Associated Matters”, “—Copies of the Company’s Code of Conduct, Corporate Governance Principles, Policy and Committee Charters”, and “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and is incorporated herein by reference. Information regarding compliance with Section 16(A) of the Securities Exchange Act of 1934, as amended, is set forth under the caption “SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE” in the Proxy Statement and is incorporated herein by reference. Information regarding executive officers is set forth herein under the caption “Executive Officers of Registrant” in Part I.

ITEM 11. EXECUTIVE COMPENSATION.

Information regarding executive compensation is set forth under the caption “COMPENSATION-RELATED MATTERS” in the Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Information regarding the security ownership of certain beneficial owners and management is set forth under the captions “SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT” in the Proxy Statement and “SHARE OWNERSHIP OF PRINCIPAL STOCKHOLDERS” in the Proxy Statement and is incorporated herein by reference.

The following table summarizes share and exercise price information about L Brands’ equity compensation plans as of February 2, 2019.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights		(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	12,392,717	$ 53.14	(2)	9,109,757
Equity compensation plans not approved by security holders	—	—		—
Total	12,392,717	$ 53.14		9,109,757

(1) Includes the following plans: L Brands, Inc. 2015 Stock Option and Performance Incentive Plan, L Brands, Inc. 2011 Stock Option and Performance Incentive Plan and L Brands, Inc. 1993 Stock Option and Performance Incentive Plan (2009 Restatement). There are no shares remaining available for grant under the 2011 Plan or 1993 Plan.

(2) Does not include outstanding rights to receive Common Stock upon the vesting of restricted share awards or settlement of deferred stock units.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

Information regarding certain relationships and related transactions is set forth under the caption “ELECTION OF DIRECTORS—Nominees and Directors” and “—Director Independence” in the Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Information regarding principal accountant fees and services is set forth under the captions “INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS—Audit Fees”, “—Audit Related Fees”, “—Tax Fees”, “—All Other Fees” and “—Pre-approval Policies and Procedures” in the Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) (1) Consolidated Financial Statements

The following consolidated financial statements of L Brands, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Management’s Report on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements

Consolidated Statements of Income for the Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

Consolidated Statements of Comprehensive Income for the Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

Consolidated Balance Sheets as of February 2, 2019 and February 3, 2018

Consolidated Statements of Total Equity (Deficit) for the Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

Consolidated Statements of Cash Flows for the Years Ended February 2, 2019, February 3, 2018 and January 28, 2017

Notes to Consolidated Financial Statements

(2) Financial Statement Schedules

Schedules have been omitted because they are not required or are not applicable or because the information required to be set forth therein either is not material or is included in the financial statements or notes thereto.

(3) List of Exhibits

3.	Articles of Incorporation and Bylaws.
3.1	Restated Certificate of Incorporation of the Company incorporated by reference to Exhibit 3.1 to the Company’s Form 10-K dated February 1, 2014.
3.2	Amended and Restated Bylaws of the Company incorporated by reference to Exhibit 3.1 to the Company's Form 8-K dated November 3, 2016.
4.	Instruments Defining the Rights of Security Holders.
4.1	Conformed copy of the Indenture dated as of March 15, 1988 between the Company and The Bank of New York, incorporated by reference to Exhibit 4.1 to the Company’s Registration Statement on Form S-3 (File No. 333-105484) dated May 22, 2003.
4.2	Proposed form of Debt Warrant Agreement for Warrants attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.2 to the Company’s Registration Statement on Form S-3 (File No. 33-53366) originally filed with the Securities and Exchange Commission (the “SEC”) on October 16, 1992, as amended by Amendment No. 1 thereto, filed with the SEC on February 23, 1993 (the “1993 Form S-3”). (P)
4.3	Proposed form of Debt Warrant Agreement for Warrants not attached to Debt Securities, with proposed form of Debt Warrant Certificate incorporated by reference to Exhibit 4.3 to the 1993 Form S-3. (P)
4.4	Indenture, dated as of February 19, 2003 between the Company and The Bank of New York, incorporated by reference to Exhibit 4 to the Company’s Registration Statement on Form S-4 (File No. 333-104633) dated April 18, 2003.

4.5	First Supplemental Indenture dated as of May 31, 2005 among the Company, The Bank of New York and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.2 to the Company's Registration Statement on Form S-3 (Reg. No. 333-125561) filed June 6, 2005.
4.6	Second Supplemental Indenture dated as of July 17, 2007 between the Company and The Bank of New York Trust Company, N.A., incorporated by reference to Exhibit 4.1.3 to the Company's Registration Statement on Form S-3 (Reg. No. 333-146420) filed October 1, 2007.
4.7	Indenture, dated as of June 19, 2009, among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 24, 2009.
4.8	Registration Rights Agreement, dated as of June 19, 2009, among the Company, the guarantors named therein and JP Morgan Securities Inc., as representative of the initial purchasers, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 24, 2009.
4.9	Third Supplemental Indenture dated as of May 4, 2010 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.4 to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on November 5, 2010.
4.10	Fourth Supplemental Indenture dated as of January 29, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.5 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.
4.11	Form of Fifth Supplemental Indenture dated as of March 25, 2011 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.6 to the post-effective amendment to the Company's Registration Statement on Form S-3 (Reg. No. 333-170406) filed on March 22, 2011.
4.12	Sixth Supplemental Indenture dated as of February 7, 2012 among the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended April 28, 2012.
4.13	Seventh Supplemental Indenture dated as of March 22, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.8 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
4.14	Eighth Supplemental Indenture dated as of October 16, 2013 between the Company, the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., incorporated by reference to Exhibit 4.1.9 to the Company's Registration Statement on Form S-3 (Reg. No. 333-191968) filed on October 29, 2013.
4.15	Amendment and Restatement Agreement dated July 18, 2014 among L Brands, Inc., a Delaware corporation, L (Overseas) Holdings LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 15, 2011 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated July 22, 2014.
4.16	Ninth Supplemental Indenture dated as of January 30, 2015 among the Registrant, the New Guarantors, The Bank of New York Mellon Trust Company, as Trustee, and the Old Guarantors to the Base Indenture dated as of March 15, 1988, as amended, relating to the 7.000% Senior Notes due 2020, the 6.625% Senior Notes due 2021, the 5.625% Senior Notes due 2022 and the 5.625% Senior Notes due 2023, incorporated by reference to Exhibit 4.16 to the Company's Registration Statement on Form S-4 (Reg. No. 333-209114) filed on January 25, 2016.
4.17	First Amendment dated as of April 21, 2015 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Canadian Retail Holdings Corporation, a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, and Mast Industries (Far East) Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014 among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended May 2, 2015.

4.18 Indenture, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated November 3, 2015.

4.19 Form of 6.875% senior notes due 2035, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated November 3, 2015.

4.20 Registration Rights Agreement, dated as of October 30, 2015, among L Brands, Inc., the guarantors named therein and Merrill Lynch, Pierce, Fenner & Smith Incorporated as representative of the initial purchasers, incorporated by reference to Exhibit 4.3 to the Company's Form 8-K dated November 3, 2015.

4.21 Indenture, dated as of June 16, 2016, among L Brands, Inc. and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated June 16, 2016.

4.22 First Supplemental Indenture, dated as of June 16, 2016, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated June 16, 2016.

4.23 Amendment and Restatement Agreement dated as of May 11, 2017 among the Company, L (Overseas) Holding LP, an Alberta limited partnership, Bath & Body Works (Canada) Corp., a Nova Scotia company, Victoria's Secret UK Limited, a company organized under the laws of England and Wales, Mast Industries (Far East) Limited, a Hong Kong corporation, and LB Full Assortment HK Limited, a Hong Kong corporation, the lenders party thereto and JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent (the "Administrative Agent"), in respect of the Amended and Restated Five-Year Revolving Credit Agreement dated as of July 18, 2014, as amended by Amendment No. 1 thereto dated as of April 21, 2015, among the Company, the lenders from time to time party thereto and the Administrative Agent, incorporated by reference to Exhibit 4.1 to the Company's Form 8-K dated May 17, 2017.

4.24 Second Supplemental Indenture, dated as of January 23, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.2 to the Company's Form 8-K dated January 23, 2018.

4.25 Indenture, dated as of June 18, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.25 to the Company's Form S-4 dated September 11, 2018.

4.26 First Supplemental Indenture, dated as of June 29, 2018, by and among L Brands, Inc., the guarantors named therein and U.S. Bank National Association, as trustee, incorporated by reference to Exhibit 4.26 to the Company's Form S-4 dated September 11, 2018.

10. Material Contracts.

10.1 Officers' Benefits Plan incorporated by reference to Exhibit 10.4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 1989 (the "1988 Form 10-K").** (P)

10.2 The Company's Supplemental Retirement and Deferred Compensation Plan incorporated by reference to Exhibit 10.3 to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.**

10.3 Form of Indemnification Agreement between the Company and the directors and executive officers of the Company incorporated by reference to Exhibit 10.4 to the 1998 Form 10-K.**

10.4 Supplemental schedule of directors and executive officers who are parties to an Indemnification Agreement incorporated by reference to Exhibit 10.5 to the 1998 Form 10-K.**

10.5 The Company's Incentive Compensation Performance Plan incorporated by reference to Exhibit A to the Company's Proxy Statement dated April 14, 1997.**

10.6 Agreement dated as of May 3, 1999 among the Company, Leslie H. Wexner and the Wexner Children's Trust, incorporated by reference to Exhibit 99 (c) 1 to the Company's Schedule 13E-4 dated May 4, 1999.

10.7 The Company's Stock Award and Deferred Compensation Plan for Non-Associate Directors incorporated by reference to Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated November 13, 2003.**

10.8	Form of Stock Ownership Guideline incorporated by reference to Exhibit 10.32 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2005.**
10.9	Employment Agreement effective as of April 9, 2007 among the Company and Stuart Burgdoerfer incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated April 11, 2007.**
10.10	Employment Agreement Amendment effective September 5, 2008 among Limited Brands, Inc., and Stuart Burgdoerfer incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 2, 2008.**
10.11	The Company's 1993 Stock Option and Performance Incentive Plan (2009 Restatement) incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (File No. 333-110465) dated September 10, 2009.**
10.12	Employment Agreement dated as of December 31, 2007 among the Company, beautyAvenues, LLC, and Charles C. McGuigan, as amended by Amendment to Agreement dated December 1, 2008 and Form of Employment Agreement Amendment effective as of March 15, 2012 incorporated by reference to Exhibit 10.24 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**
10.13	The Company's 2011 Stock Option and Performance Incentive Plan originally incorporated by reference to Appendix A to the Company's Proxy Statement dated April 11, 2011 and Amended and Restated dated July 21, 2011 incorporated by reference to Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2012.**
10.14	Form of Sixth Amended and Restated Master Aircraft Time Sharing Agreement incorporated by reference to Exhibit 10.23 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2015.**
10.15	The Company's 2015 Stock Option and Performance Incentive Plan, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 (Reg. No. 333-176588) dated September 4, 2015.**
10.16	L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Restricted Share Unit Grant, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.**
10.17	L Brands, Inc. 2015 Stock Option and Performance Incentive Plan Terms and Conditions of Stock Option Grant, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended August 1, 2015.**
10.18	L Brands, Inc. 2015 Cash Incentive Compensation Performance Plan, incorporated by reference to Exhibit 10.2 to the Company's Form 8-K dated May 26, 2015.**
21.	Subsidiaries of the Registrant.
23.1	Consent of Ernst & Young LLP.
24.	Powers of Attorney.
31.1	Section 302 Certification of CEO.
31.2	Section 302 Certification of CFO.
32.	Section 906 Certification (by CEO and CFO).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

** Identifies management contracts or compensatory plans or arrangements.

(P) Paper Exhibits

(b) Exhibits.

The exhibits to this report are listed in section (a)(3) of Item 15 above.

(c) Not applicable.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or l5(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 22, 2019

L BRANDS, INC. (Registrant)

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer,
Executive Vice President and Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 2, 2019:

Signature	Title
/s/ LESLIE H. WEXNER* Leslie H. Wexner	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)
/s/ STUART B. BURGDOERFER Stuart B. Burgdoerfer	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ PATRICIA S. BELLINGER* Patricia S. Bellinger	Director
/s/ E. GORDON GEE* E. Gordon Gee	Director
/s/ DENNIS S. HERSCH* Dennis S. Hersch	Director
/s/ DONNA A. JAMES* Donna A. James	Director
/s/ DAVID T. KOLLAT* David T. Kollat	Director
/s/ MICHAEL G. MORRIS* Michael G. Morris	Director
/s/ ROBERT H. SCHOTTENSTEIN* Robert H. Schottenstein	Director
/s/ STEPHEN D. STEINOUR* Stephen D. Steinour	Director
/s/ ALLAN R. TESSLER* Allan R. Tessler	Director
/s/ ABIGAIL S. WEXNER* Abigail S. Wexner	Director
/s/ RAYMOND ZIMMERMAN* Raymond Zimmerman	Director

* The undersigned, by signing his name hereto, does hereby sign this report on behalf of each of the above-indicated directors of the registrant pursuant to powers of attorney executed by such directors.

By: /s/ STUART B. BURGDOERFER

Stuart B. Burgdoerfer
Attorney-in-fact

Company Information

Headquarters

L Brands, Inc.
Three Limited Parkway
Columbus, OH 43230
614.415.7000
www.LB.com

Annual Meeting of Shareholders

8:30 a.m. Thursday, May 16, 2019
Three Limited Parkway
Columbus, OH 43230

Stock Exchange Listing

New York Stock Exchange (Trading Symbol "LB")

Independent Public Accountants

Ernst & Young LLP
Grandview Heights, OH

Information Requests

Through our website:	www.LB.com
Upon written request to:	L Brands, Inc. Investor Relations Three Limited Parkway Columbus, OH 43230
By calling:	614.415.7000

Stock Transfer Agent, Registrar and Dividend Agent

American Stock Transfer & Trust Company ("AST")
6201 15th Avenue
Brooklyn, NY 11219
866.875.7975
718.921.8124
info@astfinancial.com

https://www.astfinancial.com

L Brands, Inc.

Founded 1963

as of Feb. 2, 2019:
Approximate associate base: 88,900
Approximate shareholder base: 148,000

Investor resources available on our website, www.LB.com, include:

- Anticipated release dates for quarterly earnings
- Live webcasts of quarterly earnings conference calls
- Audio replays of quarterly earnings conference calls
- Current investor presentations and materials

NYSE Certification Statement

Our Chief Executive Officer and Chief Financial Officer have filed the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 with the Securities and Exchange Commission as exhibits to our Form 10-K for the fiscal year ended Feb. 2, 2019. In addition, our Chief Executive Officer filed a separate annual certification to the New York Stock Exchange following our annual shareholders' meeting on May 17, 2018.

ADMITTANCE SLIP

2019 ANNUAL MEETING OF STOCKHOLDERS

Date, Time and Place of Meeting:

Date: Thursday, May 16, 2019

Time: 8:30 a.m., Eastern Time

Place: Three Limited Parkway
Columbus, Ohio 43230

Attending the Meeting:

Stockholders who plan to attend the meeting in person must bring this admittance slip and a photo identification to gain access. Because of necessary security precautions, bags, purses and briefcases may be subject to inspection. To speed the admissions process, stockholders are encouraged to bring only essential items. Cameras, camcorders or videotaping equipment are not allowed. Photographs or videos taken by the Company at the meeting may be used by the Company. By attending, you waive any claim or rights to these photographs.

For more information about attending the annual meeting, please visit the website at *www.lb.com* or contact Investor Relations at (614) 415-7585.

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